THE BAY AREA SUPPLY SUPPORT PATTERN

ROLAND A. PETRIE

THE BAY AREA SUPPLY SUPPORT PATTERN

AN ANALYSIS OF

CONSOLIDATION IN AN ERA OF DECENTRALIZATION

* * * * *

Roland A. Petrie

THE BAY AREA SUPPLY SUPPORT PATTERN

AN ANALYSIS OF

CONSOLIDATION IN AN ERA OF DECENTRALIZATION

by

Roland A. Petrie

Lieutenant Commander, Supply Corps, United States Navy

Submitted in partial fulfillment of
the requirements for the degree of

MASTER OF SCIENCE
IN
MANAGEMENT

United States Naval Postgraduate School
Monterey, California

1 9 6 5

THE BAY AREA SUPPLY SUPPORT PATTERN

AN ANALYSIS OF

CONSOLIDATION IN AN ERA OF DECENTRALIZATION

by

Roland A. Petrie

This work is accepted as fulfilling

the research paper requirements for the degree of

MASTER OF SCIENCE

IN

MANAGEMENT

from the

United States Naval Postgraduate School

ABSTRACT

In recent years, pressure has been brought to bear in many areas of the Department of Defense to decrease costs and at the same time, maintain or increase efficiency.

The major organizations of the San Francisco Bay Area Supply Support Pattern comprised one segment of the United States Navy supply system that was compelled to revamp it's method of operation for these reasons.

An historical review was conducted which included perusal of literature on the subjects of centralization and decentralization; and the profusion of directives; letters, both official and personal; and memoranda made available during a number of visits to the Mare Island and the San Francisco Naval Shipyards. This review will bring the reader to the present status of the Bay Area Supply Support Pattern.

The author became interested in the growing pains of the Pattern during a tour of duty at the San Francisco Naval Shipyard. With the kind assistance provided by the Supply Officers of the activities involved as well as personnel of the Bureau of Supplies and Accounts, problem areas will be delineated and an attempt will be made to foresee the future development of the Bay Area Supply Support Pattern.

TABLE OF CONTENTS

LIST OF ILLUSTRATIONS

CHAPTER I

I. THE PROBLEM

Throughout the history of the United States, business has, from it's meager beginnings, maintained steady growth to it's present behemoth proportions. Indeed, the very size and the area serviced by the many individual businesses has necessitated physical separation of their management, production and product distribution functions to the far corners of the United States and the world. This separation of functions has been labeled Decentralization. Strangely enough, this gradual encroachment of Decentralization on big business, as it's market situation expanded, has been the modus operandi of the military practically since it's inception.

Defense too, is big business in the United States. In order to attain and maintain our national objectives and do this within the limits of national resources made available to the Defense Establishment, everyone from private citizen to the President of the United States is and should be concerned. To make the best use of our limited resources requires not only good planning, but careful execution, control and review of those plans.

A primary goal of American business is to maximize profits. Because there is no profit motive in the Government, the primary goal of the Defense Department is to get the most security that can be obtained with the limited resources provided. [1] To partially aid in accomplishing this goal, various auditing and regulatory segments of the United States Navy and the General Accounting Office determined that something could and should be done to the San Francisco Bay Area Supply Support Pattern to improve efficiency, economy and yet maintain the same supply support in

that area. Contrary to the decentralization concept becoming more prevalent in private business and already existing in the military, the action which evolved from the regulatory agency's decisions, envisioned a Centralization or Condolidation of Supply Support in the San Francisco Bay Area.

It is assumed that the centralization concept as it is to be presented in Chapter II was a sound one. To the extent that it is possible and despite the many changes that have been pressed upon the Navy Supply System during the centralization application, some semblance of what occurred, what it's effect was and is, and what lies ahead for Bay Area Supply Support is the raison d'etre of this paper.

In summary, while decentralization appears to be status quo in big business today, the defense department has felt it necessary to centralize some of it's operations to effect necessary economies and efficiencies. The history of these measures, as applied to the San Francisco Bay Area Supply Support Pattern will be the subject of Chapter II, while the recognizable results and possible future status of those results will be the subject of Chapter III of this research paper.

II. DEFINITIONS OF TERMS USED

Partly through economy measures in printing and partly through the great use of abbreviations in military parlance, abbreviations will be used throughout this paper. To aid the future reader, an explanation of the abbreviations used are herein provided.

Centralization or Consolidation. These words are defined as the uniting or drawing to a central point of a function or functions.

Decentralization. This word is to be considered as the converse of

centralization, that is, the dispersion or distribution of functions from a central authority or point.[1]

B.A.S.S. or BASS. An abbreviated term which will be often-used. It means Bay Area Supply Support and should be interpreted as pertaining to the supply support pattern involving the two naval shipyards and the Naval Supply Center in the San Francisco Bay Area.

D.M.I. or DMI. Direct Material Inventory. Material that is brought into a shipyard in advance of the arrival of and for the exclusive use in the overhaul of a particular ship.

Shop Stores. Actual stores of material, placed in shipyard industrial areas for the convenience of workers and for the saving of time in the obtaining of materials.

Satellite Activities. Activities physically located within the confines or supported by a shipyard, but not engaged in the shipyard support effort. An example: The Naval Radiological Defense Laboratory at the San Francisco Naval Shipyard.

Fund Split. Funds applied to the operation of a naval shipyard supply department, and received in predetermined proportions from the Bureau of Ships and the Bureau of Supplies and Accounts.

Cognizance Symbols. Symbols assigned to various categories of Navy material as illustrated below.

"F". Major electronic equipment (radars, communication gear, etc.)

"G". General Stores Material (Paints, Hand Tools, Cleaning gear, etc.)

"H". Machinery Repair Parts.

---

[1] Edwin R. A. Seligman and others. Encyclopaedia of Social Sciences (Vol. V-VI, DAN-GOS. New York: The MacMillan Company, 1944), 43.

"J". Major Ordnance Equipment (Guns, Fire Control Gear, etc.)

"N". Electronic Equipment Repair Parts.

"P". Submarine Equipment Repair Parts.

"S". Major Shipboard Machinery, Equipments and Components (Pumps, boilers, coolers, condensers, etc.)

Other abbreviations, briefly used, will be explained in the test.

CHAPTER II

THE HISTORY OF THE BAY AREA SUPPLY SUPPORT PATTERN

He that will not apply new remedies must expect new evils.
Francis Bacon

This chapter is a presentation of the literature as it applies to supply support functions, centralization and decentralization concepts, and in the main, to the history of the evolution of the Bay Area Supply Support Pattern.

Every naval operation, no matter how large or small, depends on an uninterrupted flow of supplies. [2] In order to accomplish this uninterrupted flow, Admiral Dyer felt there were three fundamental requirements of the support problem:

1. Determination of requirements.
2. Procurement of requirements.
3. Distribution of procured material.

and one additional requirement in peacetime, economy throughout.[2] The procurement and distribution of requirements had, since World War II, involved a supply system which in many ways had not changed. The same support activities in many areas, were still performing the same procurement, receipt, storage, expenditure, distribution and disposal functions in the same way. These tasks, in and of themselves are important and required. However, as the time since World War II has elapsed, the U. S. Navy, like the other military services, has become increasingly sophisticated in it's weaponry, weapon platforms, and the

---

[2]Vice Admiral George C. Dyer. Naval Logistics (Annapolis: United States Naval Institute, 1960), 15.

means to move and control both of them. This sophistication has cost a great deal of money which represents a sizeable portion of our national resources. To illustrate, it is interesting to note the phenomenal amount of money spent on national security today in the period of the so-called Cold War as compared with pre-World-War II standards:

1939 - $1,368,000,000.00

1964 - $49,749,000,000.00[3]

Despite this tremendous increase in funds, the Department of Defense does not receive all the funds it deems necessary. For this reason funds must be judiciously allocated where needed and continuous effort must be expended to determine where additional savings may be made.

Thus it may be said that what is truly needed is a support system that functions well, but due to higher priority needs, the supply system must be made to do it's job as economically as possible.

Proposals for improvement in the process must therefore consist largely of suggestions for procedural and structural changes.[4] Although he was writing about the national budget, Smithies could very easily have been writing about the improvements that were, in 1958, being proposed for the San Francisco Bay Area Supply Support pattern. These improvements, as proposed, were concerned with a departure from decentralized support to a situation where operations were largely centralized, while coordination and control remained decentralized. A situation not unlike that which existed in the Kendall Company in 1952.[5]

---

[3]The World Almanac and Book of Facts for 1965. (New York: New York World Telegram and Sun, 1965), 738.

[4]A. Smithies. The Budgetary Process in the United States (New York: McGraw-Hill Book Company, Incorporated., 1955), 28.

[5]J. A. Litterer. Organizations: Structure and Behavior (New York: John Wiley and Sons, Incorporated., 1963), 84.

Some of the usual hazards of decentralization were not present however:

1. Essentially all activities followed the policies that emanated from Washington.

2. Members of management generally had the same goals.

3. There was an absence of conflict between the interests of the divisions.

However, some hazards of decentralization existed:

1. Washington levels made policy decisions without consultation with lower level management. This matter will be considered further in Chapter III.

2. Very little personal attention by policy determining levels.[6]

3. Contrary to some beliefs in the concepts of decentralized functions, decisions were not speedily reached, and there was confusion at times as to what authority had made the decisions.

4. There was and is "edict" management. However, some view this as a military disciplinary necessity.[7]

5. Weak managers ride on the coattails of successful divisions and trade on past reputations.[8]

This is not to say that the changes which ultimately occurred in the BASS pattern cured all these problems. In a bureaucracy, perhaps some of these conditions will always be present. In this study, centralization or consolidation, as it occurred, will be considered as the

---

[6]A. V. McCullough. Why Decentralization Fails, Management Review, XLVIX (August, 1960), 52.

[7]Litterer, loc. cit.

[8]Ibid.

combination of some of the major supply support functions in the San Francisco Bay Area that was required in order to perfect the most economical operation possible while still maintaining full supply support.

The background research for this study has been drawn from official Navy directives, memoranda, letters, and unofficial personal letters between various hierarchical officials in the period since 14 March 1958.

In the beginning, a Navy Comptroller Internal Audit of the Mare Island Navy Shipyard recommended that:

> BuSandA consider a plan whereby certain activities would be assigned responsibility as primary stock points for selected items, or groups of items, within designated cognizance codes instances where the specific requirements of the activity concerned indicate the advisability of such limited responsibility. [3]

On this basis andthe results of a previous experimental adaptation of the above recommendation in the Pearl Harbor, Hawaii area, both the Bureau of Ships and the Bureau of Supplies and Accounts recommended that the Commanders of the Mare Island and the San Francisco Naval Shipyards, and the Commanding Officer, Naval Supply Center, Oakland develop a plan for realignment of supply support patterns in the San Francisco Bay Area. [4] The full text of these requirements may be found in Appendix A.

The purpose of the recommendation and the study was to develop a support concept which was designed to reduce complex inventories, improve storage space utilization, and at the same time maintain responsive support of operational requirements.

It should be noted at this point that the Shipyard supply departments were directed to narrow supply support concepts to the parameters of the support of the industrial shipyard efforts only. This was to be interpreted by the shipyards as continuing to maintain primary supply systems stocks of major equipments such as "F", "S", and "J" cognizance

materials, as well as items of other cognizance materials whose predominant use by and which, because of their physical characteristics and the location of the predominant consumer, would be most advantageously carried by a shipyard.

The existing pattern for providing supply support to active ships in items of subsistence, clothing, fuel and lubricants was not to be disturbed by this realignment of supply support responsibilities.

Supply system stocks of all other categories of material were not to be carried by the shipyards. NSC Oakland was to assume responsibility for full support of the shipyards and their satellite activities for items not stocked at the shipyard. For those items not stocked by NSC Oakland, the shipyards were to continue going directly to the appropriate source of supply.

1 September 1958 was established as the target date for the submission of the completed plan. NSC Oakland, with the concurrence of the Commandant, 12th Naval District, assumed the responsibility to coordinate efforts in the formation of the plan and in so doing, proposed the formation of a Joint Working Group which was to prepare a proposed plan to include:

1. Action necessary to meet the stated objectives of the 14 March 1958 joint BuShips/BuSandA letter.

2. Estimates of cost to accomplish the recommendations.

3. Alternate means of accomplishment.

4. Time phasing. [5]

Data deemed necessary for the study included:

1. A listing by cognizance symbol of the dollar value of inventory, the square feet occupied, the dollar value and the measurement tons

issued to:

a. Shipyard industrial use.

b. Satellite Activities support.

2. That portion of 1 above carried in NIF Shop Stores.

3. The dollar value estimate by cognizance symbol, and the number of square feet occupied by "S", "F" and "J" cognizance material that the shipyards did not want to carry.

4. The listing of "G" cognizance items for which shipyards desired to continue as primary stock points.

5. An estimate of the dollar values of and the square feet occupied by those "G" cognizance items to be retained which were in excess of the stockage objectives of a primary stock point.

6. A listing of the satellite activities and the ships supported, indicating the dollar value and the measurement tonnage by material cognizance of the support rendered.

The satellite or tenant activities were alarmed by these proposals. If Oakland was to be their stocking activity, how were the satellite activities to get rush material? Would Not-in-Stock requisitions be returned for purchase by the shipyard? How were requisitions to be processed? Who would expedite urgent needs? What about transportation costs? Obviously there were many details to be clarified and indeed they would be, but not until the proposal was sent to Washington. The outcome of decisions there would release the flood of actions required in the Bay area support activities to satisfy the needs of these tenant activities.

The proposals of the Joint Working Group were forwarded to the Chiefs of the Bureau of Ships and the Bureau of Supplies and Accounts on 10 September 1958 in a letter which asked that the proposals be

considered as a plan which would be peculiar to the San Francisco Bay area since three large elements of the Navy Supply System, strung along forty miles of highly congested highways were involved. [6] See Appendix B. For this reason, it was felt that a comparison of the BASS pattern with that of the previously mentioned Pearl Harbor concept would not be appropriate. The letter also stated:

1. That some coordination with Supply Demand Control Points would be necessary to determine material which should be disposed of by the shipyards instead of forwarding it to NSC Oakland for storage.

2. That NSC Oakland had sufficient storage space to absorb all inventory material which would be forthcoming from the shipyards.

3. That transportation costs would increase.

4. That personnel adjustments would have to be determined as implementation of the plan took place.

5. That overall savings would result from initiation of the plan.

6. That the plan would definitely affect the funding-split, that is, the BuSandA financed Military Support would be drastically reduced and the Navy Industrial Fund would have to assume almost total administrative and overhead costs of the Shipyard supply departments.

A review of personal and official correspondence originating outside the San Francisco Bay area about this time indicates that a number of activities felt that the plan proposed by the Bay area activities did not go far enough. In general, it appears that the hierarchy at the Washington level felt that further study was needed to achieve maximum removal of supply functions from the San Francisco and the Mare Island shipyards. The barbs of other Inspector General, Navy Area Audit Office and General Accounting Office investigations were beginning to be felt.

For example, it was apparent that the Bureau of Ships felt that NSC Oakland should take over more of the shipyard stocks than that envisioned by the Joint Working Group plans. Material was not necessarily to be transferred but was to be carried on Oakland's inventory records. Shipyards were to continue to order material for emergency type work from any point in the supply system, but were to record the demand for that material with NSC Oakland. Shipyards were to retain title and provide space and handling personnel to NSC Oakland on a reimburseable basis; title of some warehouses were to be transferred to the Naval Supply Center and on-site supply system effort was to be accomplished by personnel on the personnel rolls of NSC Oakland. All of the foregoing would, of course, involve extensive funding, and personnel ceiling and organization changes. Elimination in the shipyards of Issue, Stock and Receipt Control; some procurement; traffic, storage, and related material handling functions of the supply system stocks was advocated, with the subsequent effects on Comptroller, Public Works and Industrial Relations areas to be kept firmly in mind.

In November of 1958, the official BuShips/BuSandA reaction to the Joint Working Group plan submitted in September was promulgated. [7] For complete details of the reaction, see Appendix C. The letter authorized immediate implementation of actions which allowed the shipyards to:

1. Discontinue stock support of satellite activities except for items available.

2. Discontinue support of ships berthed at the shipyards except for emergency requirements of stock items and "P" cognizance material pending final implementation of the plan.

3. Discontinue processing of excess material turned in by ships except for "F", "J", "S" and "P" cognizance materials. Such material was to be accepted only for delivery to NSC Oakland. Appointment of NSC Oakland as an Outfit Supply Activity was to be held in abeyance pending later action. The overall consolidation concept was to be held off pending an evaluation of a more thorough and complete consolidation of non-industrial supply functions in the Bay area.

The General Stores Supply Office was one of several Supply Demand Control Points that objected to this development.[9] It's reaction will be generally summarized at this point.

The General Stores Supply Office was disturbed because 24% of the total general stores material inventory was located in the three Bay area activities. Furthermore, these three (out of twenty-six primary stock points for general stores material) supported 22% of the total value of standard general stores material reimburseable issues. The General Stores Supply Office felt that because of the foregoing factors, any proposed consolidation actions, regardless of their apparent insignificance, be withheld pending complete analysis of the actions and that the General Stores Supply Office be given the opportunity to review the final implementing directive, prior to promulgation by the Bureaus. The General Stores Supply Office letter further stated that electronic data processing statistical data studies of general stores material carried by the three Bay area activities had been initiated to provide:

1. Items common to the three activities or between any two of them.

---

[9]General Stores Supply Office letter L8-1 dated 12 December 1958. To Chief, Bureau of Supplies and Accounts. Subject: Supply Support Pattern in the San Francisco Bay Area.

2. Items carried by any one activity but not by the other two.

3. Twelve month replenishment demand values for each of the combinations in (1) and (2) above.

4. Inventory value for each combination in (1) and (2) above.

5. The number of active and inactive items in each combination in (1) and (2) above.

Specific differences with the Bay area plan letter were provided as follows:

1. Item 6a of the NSC Oakland plan letter: To discontinue stock support of satellite activities.

General Stores Supply Office reply: It is not considered practicable to have satellites rendered support on different classes of material from different activities. On-base satellites should receive support for all classes of general stores material regardless of shipyard supply echelon for the classes concerned.

2. Paragraph 6c of the NSC Oakland plan letter: Shipyards should discontinue processing excess material turned in by a ship.

General Stores Supply Office reply: A shipyard should process material for which it is primary. If the yard is secondary, it should process the material to the extent necessary to determine whether a requirement exists in the yard for the item. If a requirement exists, then the yard should keep the material.

3. Paragraph IB1 of the NSC Oakland plan letter: Delineating federal classes for which the shipyards are to be assigned primary stock point status.

General Stores Supply Office reply: Note that there are currently 513 "GX" cognizance items (or twenty-two percent) out of a

total of 2247 items cataloged in five classes (4010, 5315, 5335, 5660 and 5680) other than the classes listed in the plan paragraph IB1. It is recommended that echelons of supply be based solely on federal classes rather than on both a class and a fraction breakdown.

4. Paragraph IIA2 of the NSC Oakland plan letter: Supply Demand Control Points discontinue passing requisitions in retail quantities to shipyards if available elsewhere.

General Stores Supply Office reply: The General Stores Supply Office desires to continue to redistribute material on an economical basis. Therefore if material is available at the shipyards and is required at nearby activities, it will be redistributed from the shipyards regardless of whether retail quantities are involved.

As previously stated, the General Stores Supply Office objections are herein provided as an illustration of the opposition the BASS consolidation was beginning to encounter. This office was by no means the only one making itself heard on this matter, as this paper will illustrate.

In December of 1958, the Commandant of the Twelfth Naval District initiated action to make the NSC Oakland a primary supply point for all ships berthed at shipyards in the district effective 1 January 1959. [8] The U. S. Navy Radiological Defense Laboratory, a satellite of the San Francisco Naval Shipyard, was to continue to be supported by the shipyard until 1 July 1959. If the material was available, the shipyards were:

1. Required to make emergency issues to ships and shore satellites.

2. To continue to stock and provide support for "P" cognizance material until a change in logistic responsibility for this material was implemented.

3. To accept and process and ship turn-ins of excess "F", "J",

"P" and "S" cognizance material, scrap and salvage material. All other material turned in by ships was to be forwarded to NSC Oakland.

The San Francisco Naval Shipyard, in an uncirculated status report, indicated that BASS would allow a probable savings of sixty-five people in fiscal year 1960, increasing to 80 people by fiscal year 1962. However, with the advent of electronic data processing, elimination of 36,000 items of dead stock and implementation of the Commandant, Twelfth Naval District notice of 29 December 1958, it was estimated that total savings of only seventy- nine people could be achieved by fiscal year 1962. Therefore, the shipyard did not feel that the BuShips-BuSandA plan could be justified on the basis of personnel economy. As can be seen, other doubt was rising on the success horizon of the consolidation plan.

However, lest this feeling become rampant, the two bureaus issued a new directive which not only supported that which had previously been promulgated, but put some teeth in it. [9] For full details see Appendix D. This was necessary. The pressure of the various inspection and audit teams had been felt to the extent that fiscal year 1960 funds were going to be cut at the budget review level based upon the estimates of savings which could be realized upon the consolidation recommended. Since the originally submitted plan from the Bay area activities did not, in the Bureau viewpoint, envision either a substantial consolidation of supply functions or an estimate of savings potential, the Bureaus had not been in a position to concur or disagree with the amount of savings estimated during the budget review. The Bureaus did agree however that potential savings of both men and material were of sufficient significance to warrant a more comprehensive local analysis. Maximum consolidation of supply system functions into the NSC Oakland with the retention of a

supply liaison and a purchase group within the shipyards was to be considered. Other patterns of supply support merited considerable study and cost evaluation. Those patterns to be considered were:

1. To continue the shipyards as distribution activities, but discontinue shipyard supply inventories which duplicated items in NIF Shop Stores. NIF Shop Stores were to be expanded in range and depth if necessary, and were to be replenished direct from NSC Oakland.

2. To discontinue shipyard supply departments and reassign residual industrial supply functions to a material division of the shipyard Planning or Production Departments.

3. To realign primary and secondary supply support responsibilities in such a manner as to eliminate duplication of any cognizance symbol, or classes between the shipyards and the NSC Oakland, similar to the Pearl Harbor consolidation.

In studying these various possible supply support patterns the Bay area activities were requested to realistically evaluate additional planning, scheduling, transportation and follow-up costs. In addition, there were requirements for proposed adjustments of existing organization structures, staffing and funding needs; an estimate of extra costs involved in the consolidation process and the listing of residual problem areas requiring resolution at the Navy Department level along with recommended solutions.

Speed was essential. Proposals were due back in Washington by 1 March 1959. Phased implementation was to be contemplated, with the intent that action could be well underway by 1 July 1959. To emphasize Bureau belief in this project, Bureau personnel were to be sent to the west coast in February 1959, to discuss locally developed plans prior to submission.

Simultaneously, the Bureau of Supplies and Accounts requested the various inventory managers involved to review supply inventories of the two shipyards, identify system excesses to shipyards stocks wherever possible and dispose of them.

Despite the loss of various pertinent shipyard supply functions, the shipyards were to continue as Outfit Supply Activities. The source for "Supply Officer Furnished Material was to be shifted to NSC Oakland. This particular matter will be discussed at a later point in this paper.

To supplement the 14 January joint Bureau letter, the Chief, Bureau of Supplies and Accounts, on 10 February ordered the two shipyards to order no material in excess of stockage objectives and to dispose of material in excess of system requirements to prevent unnecessary fund expenditure in material relocation during consolidation. Primary emphasis was to be applied at the San Francisco Naval Shipyard to permit release of leased storage space and relieve congested warehouse facilities there. All inventory reduction action was to be completed by 31 May 1959. [10]

The action taken by one of the Supply Demand Control Points because of this contemplated action will be the subject of the next portion of this chapter.[10]

SUBMARINE SUPPLY OFFICE RESPONSE ("P" Cognizance Material).

This office, during it's physical move to the Mechanicsburg, Pennsylvania area, directed that all "P" cognizance material at the two shipyards except the following material was to be transferred to the Naval Supply Center Oakland:

---

[10] Submarine Supply Office letter P1/4500 dated 26 February 1959. To Chief, Bureau of Supplies and Accounts.

1. NIF Shop Stores material.

2. Limited quantities (ninety day levels) of fast moving items to supplement, but not duplicate, NIF Shop Stores items.

3. Those major items specified by the NSC Oakland used predominantly in the industrial effort of the shipyards. This category would include battery jars, periscopes, etc.

Mare Island Naval Shipyard, a substantial holder of "P" cognizance material was to transfer one composite tender load of that material to the NSC San Diego, which was to become a primary distribution point for "P" cognizance material.

After both shipyards had completed transfers to the NSC Oakland, they were to be removed from the distribution system of the Submarine Supply Office.

Mare Island Naval Shipyard disagreed with the Submarine Supply Office proposals in that it:

1. Wanted to keep limited quantities of fast moving items, whether they duplicated NIF Shop Stores material or not.

2. Did not want the NSC Oakland, but the Submarine Supply Office to specify major items to be retained by shipyards in view of that office's technical knowledge of material involved.

3. Desired to remain a reporting activity for major items and become a non-reporting secondary for the limited quantities of the fast moving items retained and wanted Oakland to develop reservation procedures for shipyard planned "P" cognizance requirements.[11]

On 23 March, the NSC Oakland stated that it felt that the

---

[11]Commander, Mare Island Naval Shipyard letter dated 18 March 1959. To Commanding Officer, Naval Supply Center, Oakland. Subj: Distribution Plan for "P" Cognizance Material at West Coast Activities; implementation of.

Submarine Supply Office must aid in determination of those major items that should be retained by the shipyards and that stock records and status reporting for these items should also be retained by the shipyards. In addition, it acknowledged that there would be an overlap of fast moving items and items in NIF Shop Stores at Mare Island Naval Shipyard due to the fact that NIF Shop Stores is mainly fast moving items and duplication was therefore bound to exist. San Francisco Naval Shipyard was not involved since it had no NIF Shop Store for "P" Cognizance material.[12]

Simultaneously, the Bureau of Supplies and Accounts stated that exceptions to total transfer of "P" cognizance material from shipyards to the NSC Oakland were as follows:

1. Items in NIF Shop Stores.
2. Ninety day level of items to supplement NIF Shop Stores.
3. Major items used mainly in shipyard industrial efforts.
4. Composite Tender load of 5400 items to the NSC San Diego.[13]

On 15 April, the Commanding Officer, Naval Supply Center, Oakland advised the Submarine Supply Office that the Mare Island Naval Shipyard was scheduled for transfer of material to the NSC Oakland commencing in May, with material moving by federal class, in sequence, and hoped to complete the transfer by 14 August 1959. San Francisco Naval Shipyard was expected to ship the same material at the same time. The May date was stated because this would occur after the movement of the Tender

---

[12]Commanding Officer, Naval Supply Center, Oakland letter dated 23 March 1959. To Commanding Officer, Submarine Supply Office. Subj: Distribution Plan for "P" Cognizance Material at West Coast Activities; implementation of.

[13]Chief, Bureau of Supplies and Accounts letter dated 24 March 1959. To Commanding Officer, Naval Supply Center, Oakland. Subj: Transfer of "P" Cognizance Material; implementation of.

Load to San Diego had been completed and that 30 June 1959 looked like a good date to designate the NSC Oakland as a distribution point inasmuch as approximately fifty percent of the material would then be on hand in Oakland with gradually increasing percentages being available. Demands for stock would be referred either to shipyards for issue or back to the Submarine and Reactor Parts Supply Office (which by now was the new name of the old Submarine Supply Office).

The Submarine and Reactor Parts Supply Office then listed major items to be transferred from the San Francisco Naval Shipyard to the Mare Island Naval Shipyard. All fast moving items not attritable to a ninety day level within six months were to be transferred to the NSC Oakland. By October 1959, the San Francisco Naval Shipyard was to be out of the stock status reporting business except regarding transaction reports on battery jars and covers. San Francisco Naval Shipyard operated a Battery Repair program.[14]

A later Submarine and Reactor Parts Supply Office letter established supply levels for the fast-moving items except for "X" fraction-coded items:

1. Safety Level----------One Month.
2. Stockage Objective----------Three Months.
3. Requisitioning Objective----Four Months.

The level of supply for "X" fraction-coded items stocked by the Mare Island Naval Shipyard was to be maintained by the Submarine and Reactor Parts Supply Office.[15]

---

[14]Submarine and Reactor Parts Supply Office letter dated 8 May 1959. To Commander, San Francisco Naval Shipyard.

[15]Submarine and Reactor Parts Supply Office letter dated 29 May 1959. To Commanders, Mare Island and San Francisco Naval Shipyards. Subj: Levels of Supply for "P" Cognizance Material; establishment of.

As the foregoing illustration indicates, most problem areas were being resolved, once time and understanding entered the scene. Similar situations had to be resolved with a number of the other Supply Demand Control Points.

In the meantime, personnel of the shipyards were becoming more apprehensive about their future status. Rumors were a dime a dozen. Action taken in this area will be the subject of the next portion of this chapter.

PERSONNEL PROBLEMS.

To help clear the air of some of the rumors, the Supply Officer of the San Francisco Naval Shipyard in a memorandum dated 2 March 1959, informed all Supply Department personnel that a study of the supply support pattern in the Bay area was being made and that results were to be forwarded to the Navy Department in March and that early action on it was expected.

On 3 August 1959, the same employees were further advised that the BASS plan had been executed and that action would be in the form of individual actions aimed at reducing stock levels, with a resultant loss of personnel. Since the amount of stock reduction and the dates of accomplishment had not been specified, it was assumed that the actions would take place over an extended period of time and that ordinary attrition of personnel would accomplish necessary personnel adjustments and that no Reduction-In-Force would be necessary.

It is to be noted that personnel cuts and resultant lowering of costs did not occur quite as planned. For example, at the San Francisco Naval Shipyard, increased janitorial services required by a new tenant in the Supply building, an increase of workload for the new Supply Overhaul

Availability Program, and parallel electronic data processing/electronic accounting machine operations on Shop Stores functions required additional personnel as did the additional duties acquired by the shipyard for the Assistant Industrial Manager, which had merged into the shipyard.

Here again, anticipated change did occur, but other commitments nulled the possible savings.

To carry on now with the historical review, it is noted that material availability information in the Bay area was not a matter of major concern, especially in regard to planned requirements material. A system was already established whereby a shipyard forwarded advance material requirements listings via prepunched detail cards. These cards were then offset, compared with NSC Oakland material and advice of status was forwarded to the shipyards within two days. Whether the shipyard then pulled the material or took a chance on it being available when it was needed was up to the shipyard. In any case, supply action usually was not taken by the shipyard supply department until a firm request was received from the shipyard Production or Planning Department. [11]

For some time now, the three activities involved in the consolidation had been weighing a number of proposed plans for the change of the Bay Area Support Pattern. In addition to the plans already presented, two more plans, numbers VI and VII had been evolved as extensions or expansions of Plan II by the San Francisco Naval Shipyard and the Naval Supply Center, Oakland. Plans I and II can be found in Appendices E and F respectively.

Private correspondence between one shipyard and the Bureau of Ships expressed the following preferences for the proposed plans:

Plan Number	NSC Oakland	MINS	SFNS
I	4	4	4
II	3	1	1
VI	2	2	2
VII	1	3	3

Table I on pages 25 and 26 illustrates the comparable features of the plans and Table II on pages 27, 28 and 29 illustrates the possible changes in navy shipyard functions brought about by the four plans.

Activity reactions to plans VI and VII are included in Appendices E and F.

Officially, the three activities agreed that further improvements and savings could be achieved through extension of Plan II. These possibilities included:

1. Further reduction in range and depth of items carried at the shipyards.

2. Some degree of inventory control and stores accounting consolidation.

Further, the Bay area activities agreed that:

1. Plan I was not acceptable in that it did not meet savings criteria set forth in the BuShips-BuSandA joint letter of 14 January 1959. The two shipyards also felt that Plan I did not provide them with essential control over material availability and procurement in support of the industrial effort.

2. Plan II offered substantial savings to the Servicewide Supply and Finance appropriation (SWSN) and was an evolutionary means of attaining supply support realignment in the Bay area.

3. Additional improvements and savings could be achieved through

TABLE I

COMPARATIVE FEATURES OF PROPOSED BAY AREA SUPPORT PLANS

	PLANS			
	I	II	VI	VII
I. STOCKS CARRIED AT NAVAL SHIPYARDS BY SUPPLY DEPARTMENT OR ANNEX UNDER PLAN I				
A. Industrial Classes of G, H, N, P, and Z	YES	YES	MINIMAL	MINIMAL
B. Non-Industrial Classes of G, H, N, P, and Z	MINIMAL	REDUCED	MINIMAL	MINIMAL
C. Cogs F, J, and S	- - - -Positioned Items Only- - - - -			
II. SUPPLY ECHELON OF NAVAL SHIPYARDS				
A. Non-Industrial Classes of G, H, N, P, and Z	AUXILIARY STORE OF NSCO	NON-REPORTING SECONDARY	NON-REPORTING SECONDARY	AUXILIARY STORE OF NSCO
B. Industrial Classes of G, H, N, P, and Z	AUXILIARY STORE OF NSCO	PRIMARY	REPORTING SECONDARY	AUXILIARY STORE OF NSCO
C. Cogs F, J, and S	AUXILIARY STORE OF NSCO	PRIMARY	AUXILIARY STORE OF NSCO	AUXILIARY STORE OF NSCO
III. SUPPLY OPERATIONS				
A. NSCO Handle NSY Planned Requirements as Requested by NSYs.	YES	YES	YES	YES
B. NSCO Provide Availability Information	YES	YES	YES	YES
C. NSCO Bill Direct to NIF when End-Use	YES	YES	YES	YES
D. Issues from Stocks at NSY on Post-Posting Basis	YES	(1)	(1)	YES
E. NSYs Function as Fitting Out Activity	YES	YES	YES	YES

TABLE I

COMPARATIVE FEATURES OF PROPOSED BAY AREA SUPPORT PLANS

CONTINUED

	PLANS			
	I	II	VI	VII
F. NSCO Prime Source of Supply Officer Furnished Material for Fitting Out Program.	YES	YES	YES	YES

(1) No, except as presently performed by Naval Shipyard San Francisco under its rapid issue system.

NSY - Naval Shipyard

NSCO - Naval Supply Center, Oakland, California

TABLE II

ASSIGNMENT OF CURRENT NAVAL SHIPYARD SUPPLY DEPARTMENT FUNCTIONS

UNDER THE

VARIOUS PLANS PROPOSED FOR THE CHANGE OF THE BAY AREA SUPPLY SUPPORT PATTERN

FUNCTION	PLAN I	PLAN II	PLAN VI	PLAN VII
A. Issue Control	NSY Supply Dept. will have No Issue Control organization. The Issue Control function will be performed at the Annex or NSCO.	NSY Supply Dept. will have an Issue Control organization.		
B. Stock Control (Non-NIF Material)	NSY Supply Dept. will have No Stock Control organization. The function will be performed by NSCO.	NSY Supply Dept. will have a Stock Control organization.	NSY Supply Dept. will have a Stock Control organization.	NSY Supply Dept. will have No Stock Control organization. The function will be performed by NSCO. NSY stock records, if any, quantity basis only.
C. Stock Status Reporting (Non-NIF Material)	NSY Supply Dept. will perform No Stock Status Reporting. This function will be performed by NSCO.	NSY Supply Dept. will perform Stock Status Reporting limited to classes and Cogs for which NSYs are primary stock points.	NSY Supply Dept. will perform limited Stock Status Reporting.	NSY Supply Dept. will perform No Stock Status Reporting. This function will be performed by NSCO.

FUNCTION	PLAN I	PLAN II	PLAN VI	PLAN VII
D. Stores Accounting (Non-NIF Material)	NSY Supply Dept. will perform No Stores Accounting. This function will be performed by NSCO.	NSY Supply Dept. will perform Stores Accounting.	NSY Supply Dept. will perform Stores Accounting except for F,J,S, and P equipments.	NSY Supply Dept. will perform No Stores Accounting. This function to be performed by NSCO.
E. Receipt Control	This function will be performed at NSY Supply Depts., Annexes and NSCO.	NSY Supply Dept. will perform Receipt Control functions.		
F. Purchase	NSY Supply Dept. will retain current Purchase Authority.			
G. Receiving/ Material Inspection	Functions will be performed by both NSY Supply Dept. And Annex.	NSY Supply Dept. will perform Receiving/Material Inspection.		
H. Storage/ Inventory	NSY Supply Dept. will perform Storage And Inventory function for NIF stores. Annex will perform Non-NIF Storage and Inventory function.	NSY Supply Dept. will perform Storage and Inventory functions.		
I. Preservation	NSY Supply Dept. will perform No Preservation. This function will be performed by NSCO or NSY production shop.	NSY Supply Dept. will perform Preservation function for positioned stocks.	NSY Supply Dept. will perform minimal Preservation.	

FUNCTION	PLAN I	PLAN II	PLAN VI	PLAN VII
J. Delivery	The Delivery function will be performed by both the NSY Supply Dept. and the Annex.		NSY Supply Dept. will perform the Delivery function.	
K. Packing/ Shipping	NSY Supply Dept. will perform No Packing/Shipping. This function will be performed by the Annex.	NSY Supply Dept. Packing/Shipping will be limited primarily to industrial cogs and classes for which the NSYs are primary stock points.		NSY Supply Dept. Packing/ Shipping will be limited to systems material stored at NSYs.
L. Disposal	NSY Supply Dept. will perform No Disposal functions. The Disposal functions will be performed at the Annex or NSCO.	NSY Supply Dept. will perform all Disposal functions except sales.		NSY Supply Dept. will perform scrap Disposal functions except sales. The balance of the Disposal function will be performed by NSCO.

future expansion and extension of Plan II. This item has been explained at length previously.

Bay Area Supply Support Data as required is contained in Tables IIIA and IIIB on pages 31 and 32.

This plethora of opinions and information was forwarded to the Navy Department on 24 April 1959. [12]

While Washington deliberated on the proposed Plans, the shipyards busied themselves making studies of situations which would arise if one plan or the other was adopted.

The BASS juggernaut was beginning to move.

Communications became a matter of concern. A change in the Bay area supply support pattern would necessitate more rapid written communications in order to link the three activities. This was needed to provide prompt supply response for industrial efforts of the shipyards. Accordingly, the NSC Oakland initiated a request for a teletype circuit to connect the NSC Oakland with the two shipyards. Cost of the leased commercial land lines was estimated to be approximately $450.00 per month. [13]

It is interesting to note at this point the activity going on outside the Bay area concerning the realignment.

In early June, Washington officials, in private correspondence, let it be known that they were not completely satisfied with the 24 April study. More information was required regarding such items as:

1. Staffing at all Bay area sites.

2. Since the NSC Oakland had already assumed the bulk of off-station support tasks of the shipyards, what was the basis for additional savings by implementing Plan II?

TABLE IIIA

BAY AREA SUPPLY SUPPORT DATA

I. COMPARISON OF STANDARD ITEMS CARRIED AS OF 31 DECEMBER 1958

COGNIZANCE	MARE ISLAND	SAN FRANCISCO	NSC OAKLAND
F	3,129	1,576	2,410
G	24,856	21,654	46,812
H	20,543	26,959	75,599
J	1,427	739	8,504
N	24,572	33,168	106,094
P	22,544	7,983	520
S	1,577	987	1,115
Z	9,539	5,162	94,293
TOTALS	108,187	98,228	335,347

II. DOLLAR VALUE STANDARD ITEMS CARRIED AS OF 31 DECEMBER 1958

COGNIZANCE	MARE ISLAND	SAN FRANCISCO	NSC OAKLAND
F	34,418,870	18,562,584	54,936,892
G	16,058,048	10,972,789	57,208,344
H	26,703,795	7,723,935	56,328,827
J	59,912,878	12,644,154	26,133,204
N	3,893,810	2,499,710	56,435,347
P	8,605,375	1,142,555	30,685
S	27,909,662	8,194,142	8,289,305
Z	18,972,529	5,109,857	129,054,940
TOTALS	196,474,967	66,849,726	388,417,544

TABLE IIIB

BAY AREA SUPPLY SUPPORT DATA

III. MEASUREMENT TONS STORED AT NAVAL SHIPYARDS AS OF 31 DECEMBER 1958

(In Thousands)

COGNIZANCE	MARE ISLAND	SAN FRANCISCO	TOTAL
F	38.5	12.3	50.8
G	168.7	73.6	242.3
H	44.8	6.5	51.3
J	38.3	5.5	43.8
N	6.0	2.2	8.2
P	14.6	1.1	15.7
S	91.0	2.0	93.0
Z	21.4	4.0	25.4
TOTALS	423.3	107.2	530.5

IV. COMPARISON OF LINE ITEM DEMAND FROM 1 APRIL 1958 to 31 DECEMBER 1958

(MONTHLY AVERAGE)

COGNIZANCE	MARE ISLAND	SAN FRANCISCO	NSC OAKLAND	% NSYs TO NSCO
G	11,575	8,711	40,638	50%
H	2,123	2,716	24,717	20%
N	3,632	3,807	49,015	15%
P	2,012	314	-	9% of H
Z	679	414	28,587	4%

3. What was NSC Oakland's estimation of stock relocation costs from the shipyards to the NSC Oakland?

4. What was the estimated net savings for fiscal year 1961 in the Servicewide Supply and Finance appropriation?

5. Would relocation of stock to the NSC Oakland cause undue congestion of available space, significant rewarehousing, etc?

The Electronics Supply Office, in private correspondence, did not particularly care whether the shipyards became secondary (non-reporting) activities for "N" cognizance material or not. The Ships Parts Control Center, meanwhile, was emphatically opposed to the shipyards becoming secondary stock points. That office felt that:

1. Each shipyard was an important outlet in it's system and that it lost too much control over an essential part of it's inventory. The Mare Island Naval Shipyard inventory at that time was estimated by the Ships Parts Control Center to be twenty-five million dollars with sales of only one million dollars. This was an amount of inventory that was admitted to be far too large.

2. That each shipyard also held "Critical" items whose control the Ships Parts Control Center could not afford to lose.

3. The Ships Parts Control Center's budget was already being attacked for having too much inventory at secondary stock points.

All these problems and questions hung suspended without resolution until 2 July 1959, when Washington's optimum support plan was issued. [14] Details of this plan may be found in Appendix G. While the answer was probably not in the precise terms hoped for by the Bay area activities, it did order movement towards consolidation. BuShips and BuSandA felt that the decisions it had arrived at would:

1. Insure that both shipyards would have responsibility and authority for control of material availability and procurement required in support of their efforts.

2. Reduce non-industrial support load on the shipyards.

3. Reduce range and depth of selected stocks at shipyards not related to their industrial operations.

4. Accomplish maximum personnel savings without hampering supply support in the area.

5. Involve a minimum of material movement.

Agreements reached by the two bureaus were not presented in the manner of a formalized plan. Implementation was to be in the form of a series of joint Bureau actions. Those actions were to:

1. Direct discontinuance of routine redistributions from shipyard stocks.

2. Prescribe a tailored support plan for each material category (Shipyards were to remain primary stock points for certain cognizances and classes of material as agreed with the cognizant Supply Demand Control Point. The shipyards were, however, to be considered modified primary stock points in that they would not normally be called upon to serve as distribution points.)

3. Reduce material input to the shipyards.

4. Determine and direct disposal actions.

5. Determine and direct required bulk redistributions.

The bureaus also felt that the agreements would impose new requirements on the Bay Area activities such as:

1. The NSC Oakland would be required to reserve material in stock and procure and reserve other material when requested by the shipyards.

2. The NSC Oakland would bill NIF directly for items immediately chargeable to shipyard end use.

3. The NSC Oakland was to consider yard demands as replenishable.

4. The NSC Oakland was to provide material availability of stocks at the Center to the shipyards.

5. Shipyards were to follow prescribed criteria for operating levels of supply in determining the range and depth of stocks of items with repetitive usage.

The Bureaus believed then, that these arrangements would produce maximum savings and provide supply system responsiveness. Whether all this was to be accomplished may be noted in Chapter III.

Several Supply Demand Control Points were quick to react to the basic plan. Groundwork had been laid so that promulgation of their proposed plans was not as slow as it might have otherwise have been. [15] The shipyards too, had a good deal of their stocks moved to the Naval Supply Center, Oakland and were engaged in stock screening operations to determine stock to be retained and stock to be transferred or disposed of. On 7 August 1959, BuSandA issued an instruction in this regard. [16] It reiterated the elimination of non-industrial support by the yards. Each shipyard was to maintain an intact Supply Department whose function was to maintain support to it's own industrial effort. Each shipyard was changed from a primary to a secondary stock point, contrary to some of the previous stands made by some of the Supply Demand Control Points. Range and depth determinations were to be made, then the excess material was to be disposed of or redistributed where required. Any stock remaining in excess was to be moved to Oakland by 31 March 1960. Quarterly reports of actions taken were to submitted to the Bureau

of Supplies and Accounts commencing on 15 October 1959.

The Electronics Supply Office held a conference with the Bay area activities and reached agreements basically in accordance with the BuSandA directive and on the fourteenth of August, the shipyards were ordered, by message, to discontinue transaction reporting on 15 August and assume status as a secondary stock point simultaneously. The General Stores Supply Office, on 19 August 1959, forwarded a material listing disclosing the material believed necessary for retention in the shipyards, and requesting the shipyards to stock all other general stores material in accordance with established secondary stock levels. Secondary reporting, which was not to include planned requirements, was to commence in mid-thirty of fiscal year 1960 and continue quarterly until it was felt that optimum utilization of yard excesses was being achieved. Other Supply Demand Control Points concerned in the realignment proposed similar programs designed to satisfy each activity concerned. [17]

Material was definitely on the move. The San Francisco Naval Shipyard, by 31 August 1959 was carrying 25,000 fewer items than in December of 1958. The Mare Island Naval Shipyard was, by 1 August 1959, down by almost 61,000 items from April of 1958.

However, confusion over the Bureau letter reigned supreme. Contrary both to it and some of the Supply Demand Control Point directives, the shipyards were still primaries for "G", "H" and "P" cognizance materials, and Bureau controlled cognizance materials. On 15 October 1959, a follow-up request was sent to the Bureau of Supplies and Accounts requesting the status of teletype communications for the Bay area activities. The San Francisco Naval Shipyard felt that it was to be relieved of the Fleet Issue Pool for Automotive vehicles under BuSandA Instruction 4430.73.

However the Bureau of Ships ordered retention of the Pool at the shipyard. [18]

At this point, it may be stated that the profusion of correspondence available to this writer was astronomical, both in amount and in the subjects covered. There will be no attempt made here to delineate or condense the material. It is believed sufficient to state that inventories at thetwo shipyards continued to drop as did the on-board personnel counts of the shipyards. Demands on the shipyard supply systems fell off, but then so did fleet issues, redistribution issues, stock receipts, Not-In-Stocks, and gross effectiveness conditions while net effectiveness increased agreeably. [19] Operating expenses were decreasing slightly in spite of the added programs in which the shipyards were involved.

The introduction of computers was speeding the movement of documents and inventory reviews. Out of date procedures established by some of the Supply Demand Control Points for secondary stock points were causing difficulties. The shipyards requested permission to go to weekly review of active items and order then, if at the reorder point, vice waiting for quarterly ordering as required by the established procedures. The request was heartily endorsed by the Naval Supply Center, Oakland. [20] The request, however, was denied by BuSandA on 1 February 1960 on the basis that new instructions were in the offing regarding stockage objectives that would provide conversion to a new technique by 30 June 1960. Interim procedures were therefore reasonably considered inadvisable. [21]

On 15 January 1960, the Chief of Naval Operations finally approved the NSC Oakland request for teletype communication circuits for the

interconnection of the three Bay area activities. [22] BuSandA, on 26 January 1960, forwarded the necessary orders and funds to the Commandant, Twelfth Naval District. [23] Necessary abbreviations, message control procedures and requisition message formats for use on the teletype circuit were proposed by the Naval Supply Center, Oakland and were agreed with in their entirety by the two shipyards. [24]

On 15 February 1960, the NSC Oakland began the so-called Bay Area Local Delivery program. [25] It consisted of a consolidation of many types of deliveries being made from the Naval Supply Center, Oakland and provided daily delivery service to the shipyards.

The teletype communication system was to be made operational by 30 June 1960. [26] The system was to handle all priority material requests, stock status inquiries, requisition follow-ups, and release of planned requirements for material.

It was inherent in a procedural change of the BASS pattern magnitude that many new problems would arise. Wise counsel decided that prudence demanded a BASS committee in which to pool the thoughts of the activities involved to aid in resolving these problems. The Naval Supply Center, Oakland proposed a first meeting for 27 January 1961, at which each activity was to be represented. The first meeting was actually held on 21 February. At this first BASS meeting, it was agreed that areas for future consideration included such items as:

1. Revision of monetary ceilings for return of excess material.
2. Necessity for standardization of forms.
3. Necessity for standardization of planned requirements procedures.
4. Improvement of Supply responsiveness of the Naval Supply Center.

In addition to the meetings, the Naval Supply Center established a Bay

Area Service Unit to improve the Center's shipyard service under the BASS Plan. This service provided a single contact point for:

1. Furnishing requisition status information.
2. A review of pass actions.
3. Expediting document processing.
4. Follow-up information. [27]

At this point, leave will be taken of the background material to the change of the Bay Area Supply Support Pattern. It is sufficient to state that the halting starts of the juggernaut were beginning to ease and smooth out. What has occurred since mid-1960 and the present and what lies in the future for the BASS Plan will be elucidated in Chapter III.

CHAPTER III

THE BASS PATTERN: DIAGNOSIS AND PROGNOSIS

I. DIAGNOSIS

As previously stated in Chapter I, this paper has been prepared on the basic assumption that the centralization concept in the San Francisco Bay Area was both sound and needed.

To comprehend the magnitude of the changes inaugurated by the original 1958 Washington correspondence in terms of upset informal organizations and bureaucratic hierarchies is beyond the scope of this paper. The intent has been to propound the blacks and whites of that which has occurred to the formal organizations of the BASS pattern.

Not to be forgotten are the changes which were and are being wrought in the Navy Supply System during the pattern change. Priority systems have been changed twice, computers have arrived; and the Defense Supply Agency with it's Military Standard Requisitioning and Issue Procedures and Transportation and Movement Procedures has come on the scene with far-reaching impact. All of these innovations tended to complicate the change of the pattern.

There is no doubt that the intent of the bureaus was to consolidate supply functions in the Bay area in order to increase economy and efficiency of operations in that area.

Bearing in mind that the organizational background is a military one, it must nevertheless be stated that many of the procedures used by all concerned were not necessarily in recognized good management techniques. To illustrate the foregoing statement, the outstanding fault of the whole procedure is the lack of real understanding between the parties involved. Changes in established procedures were promulgated

on the BuShips-BuSandA level with little or no apparent consultation with the Bay area activities. Admittedly, the initial 1958 correspondence solicited a study on consolidation possibilities, but was so general that it lead to a long delay in actual inauguration of the program. Even then, the final product was not what the Bureaus had originally intended.

Secondly, it is felt that the BASS pattern change could have been more speedily expedited and have resulted in an operation more satisfactory to the activities involved if the offices at the Washington level had represented themselves in the Bay area during the study desired in order to understand the real problems in the field. A change in procedure nearly always meets with opposition, but if it can be tempered with understanding and appreciation, less resistance and a speedier resolvement of the problem will often result.

While the whole support pattern comes under this purview, illustrational attention is drawn to a more specific case, to wit; the 1962 assignment of the Naval Supply Center, Oakland as the Outfit Supply Activity for new construction and major conversion ships in the Bay area. 28 Although this subject was approached in Appendices B and C, no activity in the Bay area was aware that policy was in preparation in this regard until the letter arrived on the West coast. An Outfit Supply Activity at this period in time, was responsible for the determination, procurement and assembly of repair parts, spare parts, tools, and portable equipments provided to new construction or major conversion ships. Repair parts provisioning was usually obtained through cooperation between the shipyards and the various Supply Demand Control Points involved.

The consternation caused by the directive was matched by the lack

of understanding on practically all levels concerned as to how it should be implemented. For example:

1. The San Francisco Bay Area segment of the Board of Inspection and Survey knew nothing about the directive. Because of this, the responsibility, as far as the Board of Inspection and Survey was concerned, remained with the shipyards. This was, essentially, responsibility without the means of insuring compliance to outfitting requirements. The ultimate reaction was for the shipyards involved to request authority to outfit each ship individually. Since this authority was granted, the effect of the original directive was destroyed.

Other factors lacking consideration in the original Outfit Supply Activity Transfer letter were:

1. Origination and transfer of allowance pages and designation of the activities to receive them.

2. Transfer of funds.

3. On-load responsibilities for binned and bulk materials.

4. Binning operations and procedures.

5. Separation of outfitting and fitting-out functions and responsibilities. This arrangement complicated the already difficult provisioning process for a prospective supply officer unnecessarily.

While the military operates on a principle of obedience to a lawful order, it is becoming more and more obvious that the parties involved in major business decision should take part in that decision.

Returning again to the diagnosis, the author feels, intuitively, that while many of the counter-proposal actions advanced by the Bay area shipyards were delaying tactics towards what ultimately would have to happen, he is not in a position to make such a charge. However, it is

believed that if pressure of sufficient magnitude, with equivalent understanding had been applied from the beginning, the further consolidation taking place in 1965 would have occurred in the initial 1959-1960 phase.

For example, the vacillations in the approach to the BASS pattern taken by some of the Supply Demand Control Points should have been closely monitored by BuSandA and the necessary pressures applied at these points to prevent the confusions that developed on the user levels especially in regard to reporting status, planned requirements, not-in-stock procedures, etc.

At this point too, we consider the fact that much of what did occur officially in the BASS pattern was in the form of letters. True, this did provide inter-communications between the activities concerned, but as is noted, many of the proposals made by the Bay area activities were ignored by Washington execution plans. Again, this is a prerogative of the decision-making level in the military organization. But, if this is the case, it is hard to understand why the orders which eventually came down, were not in the form of regular directives instead of letters. Did these letters allow for further counterproposals from Bay area activities? This question, alas, is unanswered.

In the beginning, the basic changes in the BASS pattern proposed by the two Bureaus were those contained in Appendix A. After the movement of a vast amount of correspondence, the four plans proposed in Appendices B, C, E, and F and under consideration in Washington were ignored as to detail. This is shown by the letter contained in Appendix G, which is not too different from the original Bureau proposal in Appendix A. It is true that several items under consideration in the four plans were

later promulgated as procedure changes but why should an implementing letter be so generalized? This too remains unanswered.

The diagnosis continues with Tables IV and V on pages 45 and 46 providing final report data submitted by the shipyards to the Bureau of Ships and the Bureau of Supplies and Accounts after one year under the revised BASS plan. A review of the tables indicates that the expected results were being obtained. Declines in personnel, inventories, shipments and receipts as well as increases in savings and net availability had been achieved.

The Fund Split of the shipyards, as predicted in Chapter II, did change. San Francisco Naval Shipyard for example, moved from a BuSandA/NIF funding split of 49/51 in the first quarter of fiscal year 1959 to a split of 33/67 in the third quarter of fiscal year 1965.[16]

The BASS meetings, mentioned in Chapter II, continued regularly until May of 1964 when they were terminated by mutual consent of the three activities. [31] Perusal of the meeting minutes over the years indicates that most of the meetings were "get NSC Oakland" sessions. Many of the problems were being resolved through less formal methods, thus negating the need for and the value of the meetings.

The much sought after teletype system was disestablished in June 1962 for the San Francisco Naval Shipyard and in July 1962 for the Mare Island Naval Shipyard. [32] The application of Navy Standard Requisitioning and Issue Procedures with the speed and new methods of obtaining information they provided, nullified the need for the slow teletype system and it was abandoned.

---

[16] San Francisco Naval Shipyard Fund Split Resume, May 1965.

TABLE IV

MARE ISLAND NAVAL SHIPYARD

FINAL BASS PATTERN PROGRESS REPORT

JULY 1960*

Personnel Savings	January 1959	827
	July 1960	578
	Decline	30.4%
Dollar Savings	Fiscal Year 1959	$4,329,334.
	Fiscal Year 1960	3,646,926.
	Total Savings	$ 682,408.
Inventory Value	January 1959	$197,135,600.
	May 1960	143,585,500.
	Decline	27%
Stock Range Comparison	January 1959	108,700 items
	May 1960	40,349
	Decline	68,351 items

Monthly Average of Shipments	Measurement Tons	Documents
Prior to BASS	3633	5499
May 1960	2762	1353
Decline	24%	75%

Monthly Average of Receipts	Measurement Tons	Documents
Prior to BASS	7063	9347
May 1960	5705	8496
Decline	19%	9%

Issue Effectiveness	Gross Availability	Net Availability
May 1959	88.5%	93.4%
May 1960	88.4%	95.8%

* See Bibliography Note [29]

TABLE V

SAN FRANCISCO NAVAL SHIPYARD

FINAL BASS PATTERN PROGRESS REPORT

JULY 1960*

Personnel Savings	January 1959	536	
	July 1960	420	
	Decline	22%	
Dollar Savings	Fiscal Year 1959	$3,661,268.	
	Fiscal Year 1961	2,987,126.	(Projected)
	Total Savings	$ 674,142.	
Inventory Value	January 1959	$66,976,358.	
	July 1960	53,240,841.	
	Decline	21%	
Stock Range Comparison	January 1959	98,401 items	
	June 1960	24,625	
	Decline	73,776 items	
Monthly Average of Shipments	Measurement Tons	Documents	
Prior to BASS	1902	4373	
June 1960	847	800	
Decline	55.5%	81.7%	
Monthly Average of Receipts	Measurement Tons	Documents	
Prior to BASS	5541	10609	
June 1960	7789	19589	
Increase	29%	46%	
Issue Effectiveness	Gross Availability	Net Availability	
June 1959	87%	93.4%	
June 1960	63.6%	94.1%	

* See Bibliography Note [30]

The Naval Supply Center, Oakland Customer Service Unit, established early in the BASS pattern change, provided immediate availability on all shipyard emergency needs and provided walk-through service on such needs. [33] Personnel from the shipyards were assigned to this emergency need task and performed the walk-through procedures daily. [34] The Center performed a marvelous service in this area.

II. PROGNOSIS

To say that all went well with BASS would be a most naive assumption or statement. Many procedural difficulties were encountered and resolved. The overall effect, however, was one of gradual improvement. Inventories, as shown in Figure One on page 48, and with the exception of a brief upward trend during the Berlin crisis in 1962, continued downward. Mare Island Shipyard line item count was 20,735 while the San Francisco Naval Shipyard count was only 12,687. This count occurred in December 1964. Shipyard material receipts have generally been up since 1962, while stock issues have been generally down. These trends are shown in Figures Two and Three on pages 49 and 50. Figures Four and Five on pages 51 and 52 provide Gross and Net Availabilities of material at the two shipyards. At Mare Island, both Gross and Net Availabilities have continued downward generally, while at the San Francisco Naval Shipyard, the Gross Availability has continued downward while the net availability has continued generally upward as would be expected.

When one considers that an increase in Mare Island material receipts has been accomplished with less personnel, it speaks well of the efficiency prompted by the BASS pattern change.[17]

---

[17] Mare Island Naval Shipyard First Quarter Supply Department Highlights for Fiscal Year 1965.

FIGURE 1

BASS PATTERN EFFECT ON SHIPYARD INVENTORIES

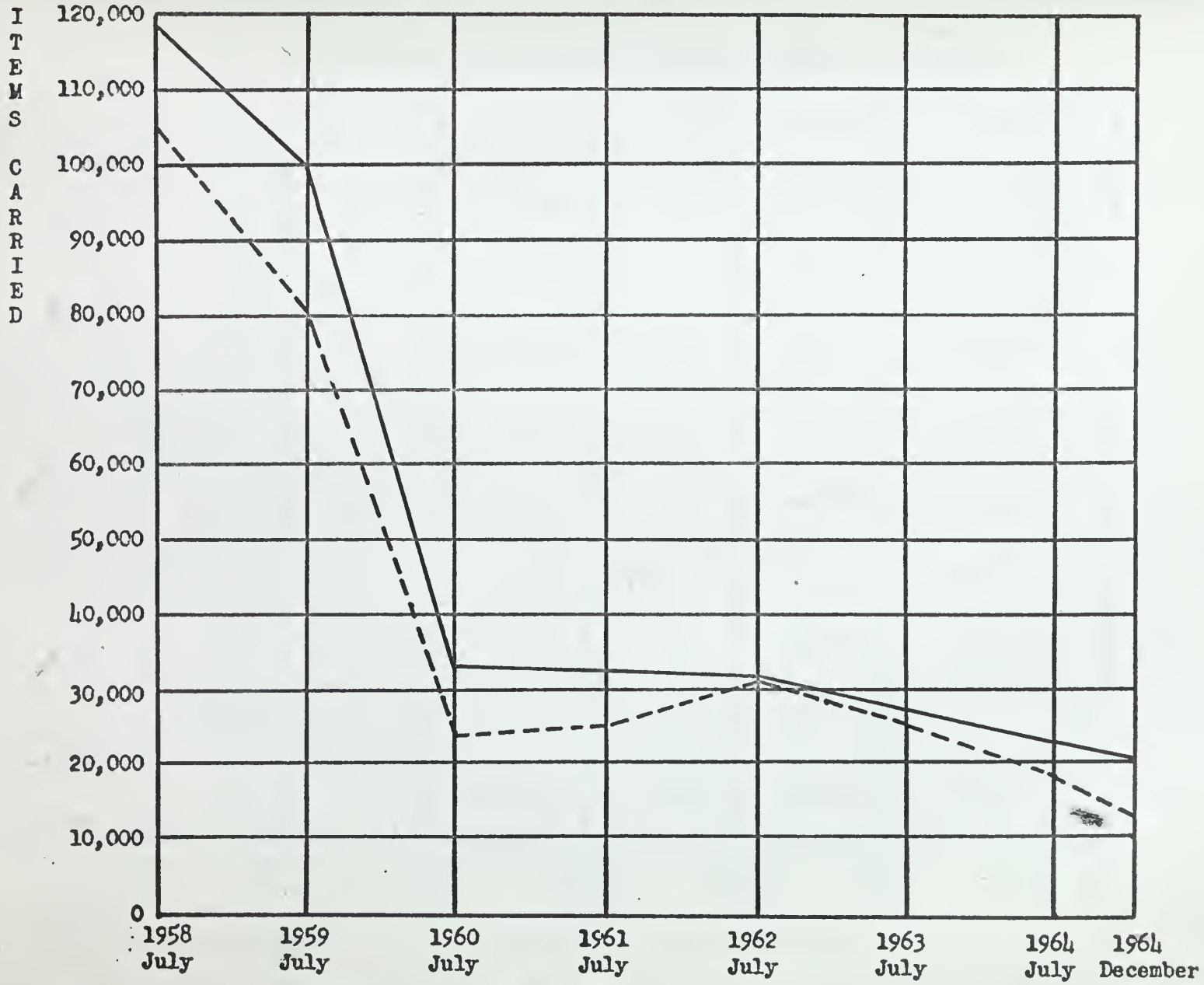


FIGURE 2

MARE ISLAND NAVAL SHIPYARD DEMANDS, ISSUES, AND RECEIPTS

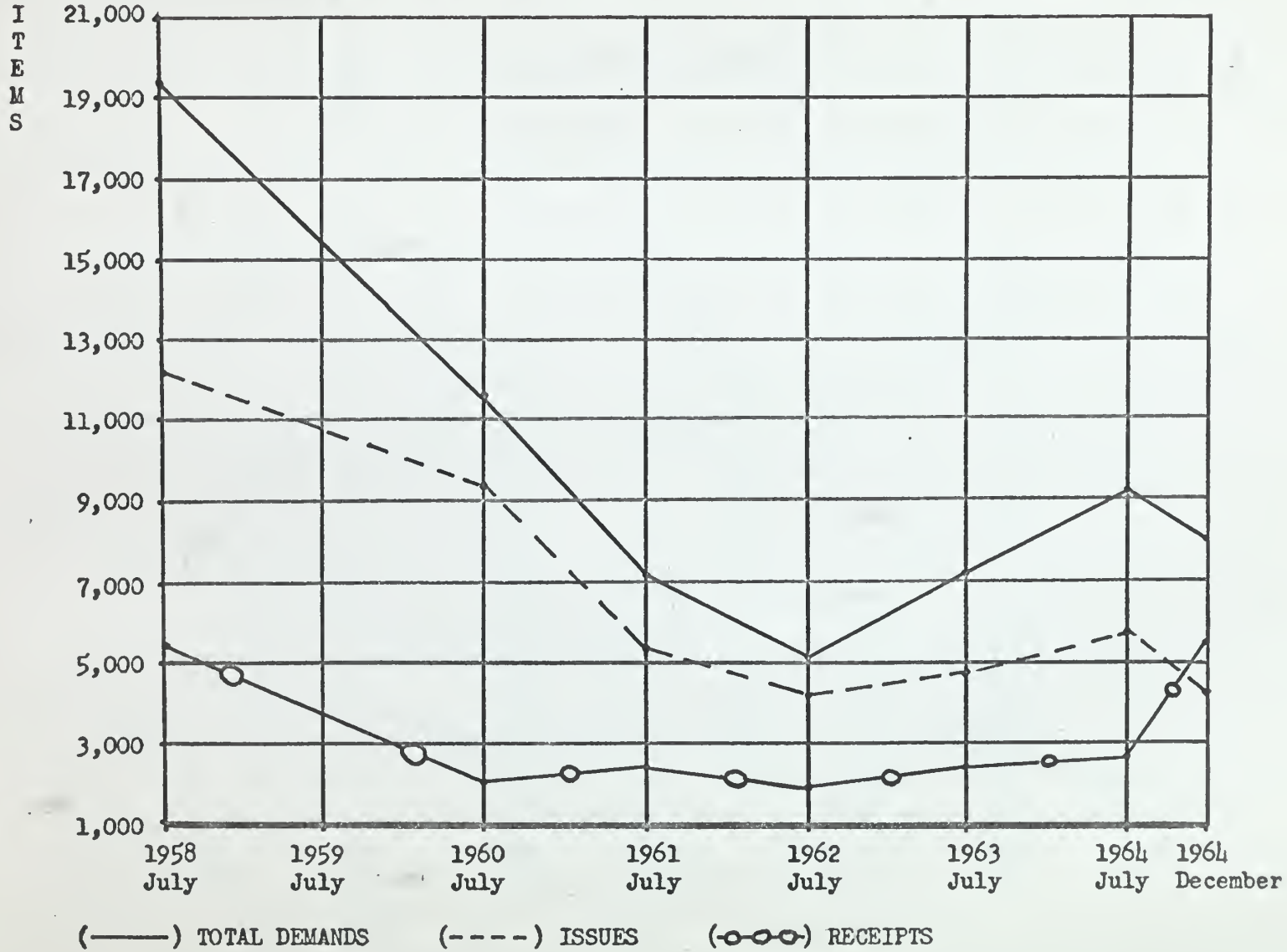


FIGURE 3

SAN FRANCISCO NAVAL SHIPYARD DEMANDS, ISSUES, AND RECEIPTS

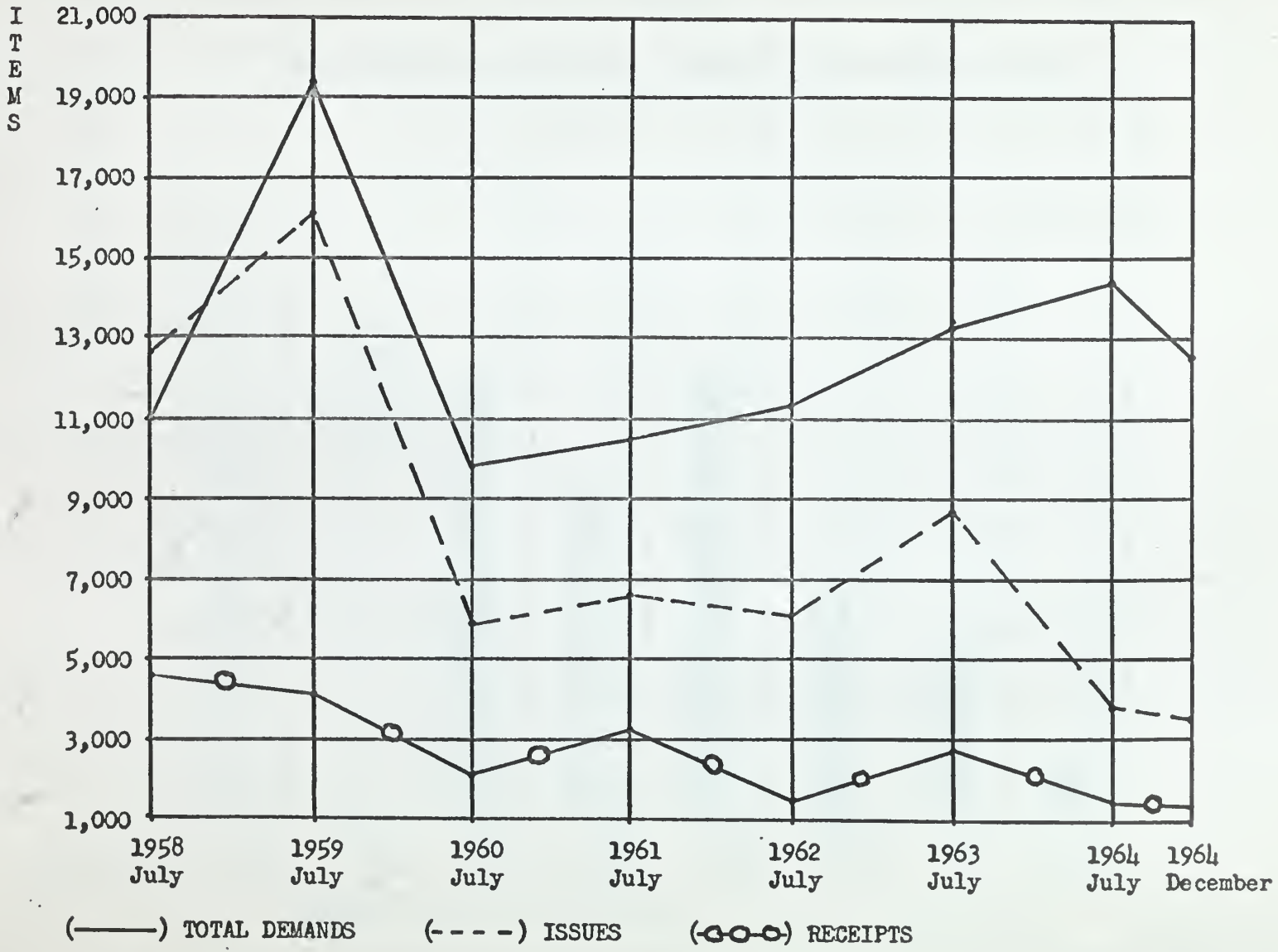


FIGURE 4

MARE ISLAND NAVAL SHIPYARD: GROSS AND NET AVAILABILITIES

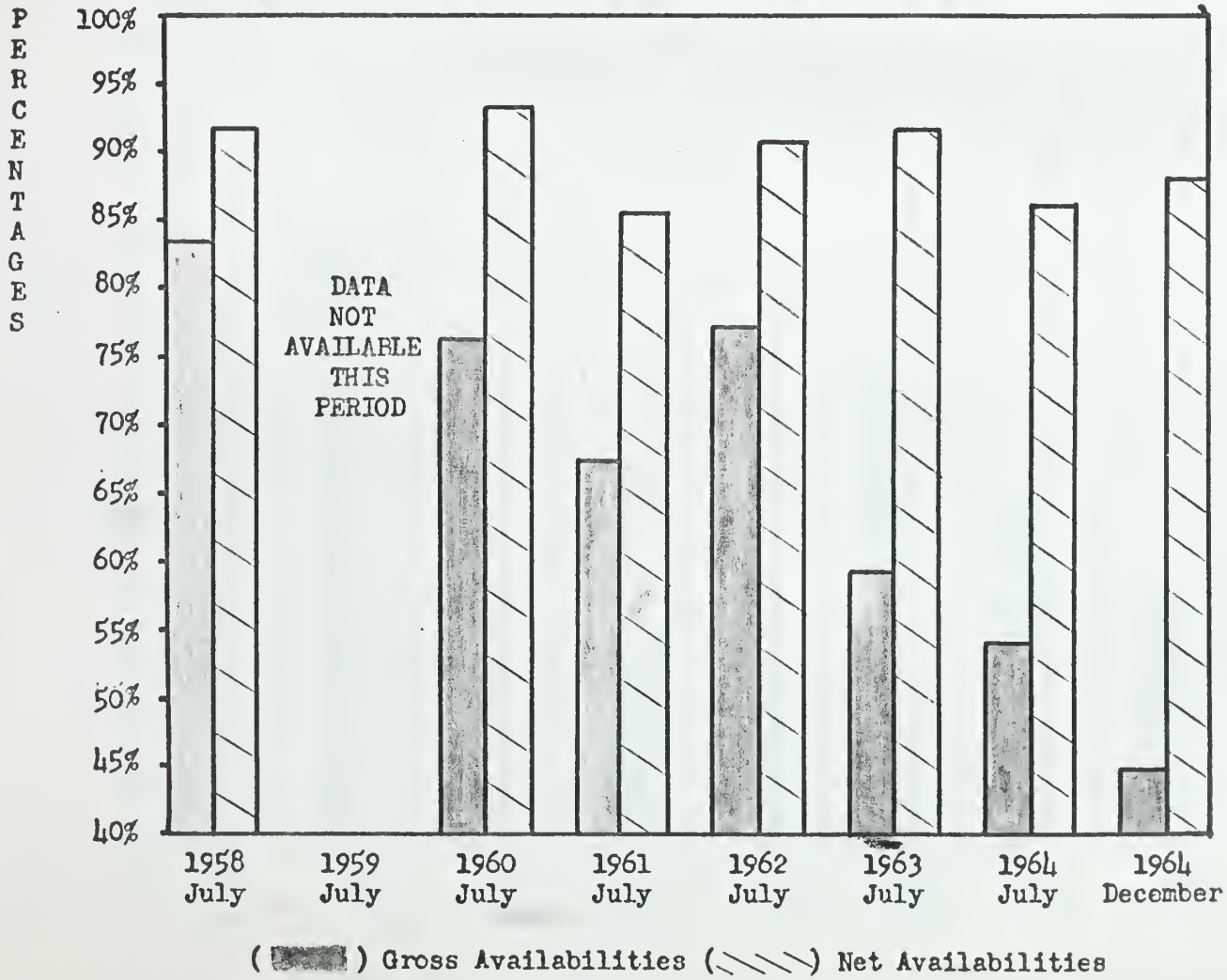
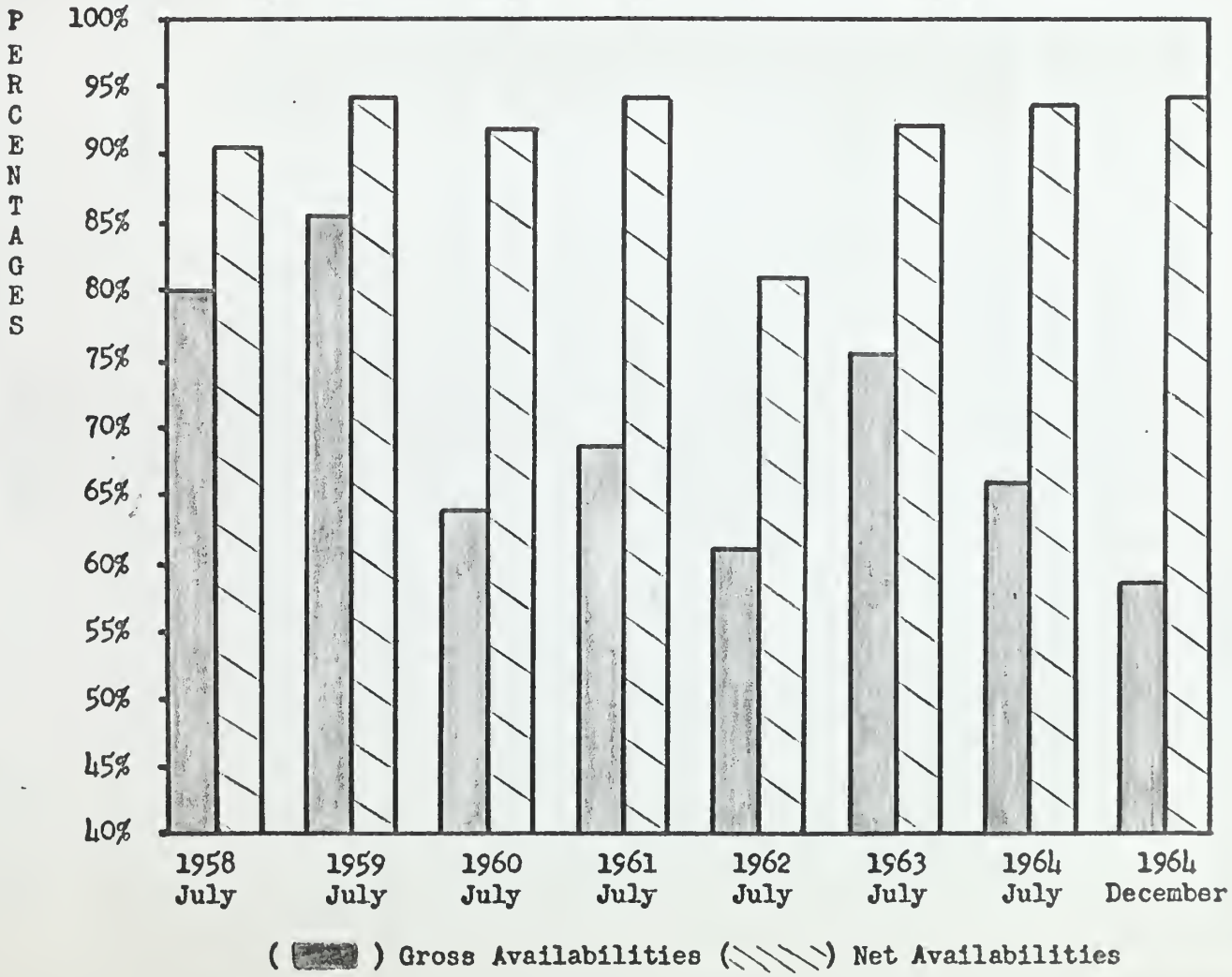


FIGURE 5

SAN FRANCISCO NAVAL SHIPYARD: GROSS AND NET AVAILABILITIES



The BASS pattern change has resulted in an increase in Direct Material Inventories and Navy Industrial Fund Shop Store inventories, and, consequently, inventory value. Further increase in the future could normally have been anticipated. However certain circumstances have been introduced into the BASS scheme of things that were not contemplated when work on this paper commenced.

In November 1964, the Secretary of Defense announced the closure and/or the consolidation of a number of military bases.[18] Included in this announcement was the consolidation of the Mare Island and the San Francisco Naval Shipyards. This change, along with a move toward more mature computer equipment that is more compatible with other shipyards and the rest of the U. S. Navy with the need to know, has considerably altered the prognosis that would originally have been offered.[19] That prognosis being in consonance with the original bureau centralization concepts. Although substantial benefits have thus far been achieved by the BASS pattern change, the Bureaus of Ships and Supplies and Accounts both felt that the program had not gone far enough. The consolidation of the shipyards now provided the flux to put some of these concepts into being. This approach was especially easy to pursue when it was determined that the consolidation was largely concerned with a centralization of the following functions of the two shipyards to be headquartered at Mare Island:

1. Data Processing

---

[18] With Courage and Good Sense, Time LXXXVIX (November 27, 1964), 29.

[19] Hearing before the Subcommittee on Census and Government Statistics of the Committee on the Post Office and the Civil Service, House of Representatives. Eighty-eighth Congress-First Session (11 June 1963), Washington: U. S. Government Printing Office. 1963.

2. Management Engineering.

3. Industrial Relations.

4. Design.

5. Quality Assurance.

6. Public Works.

7. Comptroller.

8. Medical and Dental

9. Administrative.

The two shipyards are to be called the San Francisco Bay Navy Yard. The new yard will have two divisions, a Mare Island and a Hunters Point Division. The Command is to be assumed by a Commander of the Mare Island and the Hunters Point Divisions respectively.

What now was to become of the individual yard supply systems?

The Hunters Point Supply Officer is to be directly responsible to the Commander of that division and is to retain industrial supply functions. The Bureau of Ships is strongly urging the transfer of all non-industrial supply functions to the NSC, Oakland instead of to Mare Island. The Bureau also feels that, in addition to greater cost savings, there are also other benefits:

1. Since Hunters Point has appreciably less main inventory than Mare Island, a two-stage transfer will make it easier for Oakland to absorb all non-industrial supply functions, which is the Bureau's ultimate goal.

2. Will Simplify computer processing of main inventory at Mare Island.

3. Will be less likely to create double handling and cross hauling

of material because of shipment to the wrong location.

4. Should streamline Hunters Point's requisitioning channels.

5. Will permit an evaluation of the effectiveness of the realignment plan prior to full implementation. [35]

In the event of Oakland's inability to absorb the added workload, it is considered that the industrial supply organizations at both locations should be identical and that Mare Island should establish within its Supply Department an organization concerned with non-industrial supply functions to the extent considered practicable and economical. In addition to the supply problem, the compatible computer system mentioned earlier and now called the Management Information System is to be evolved by a joint Bureau/Navy Yard effort including detailed study and analyses in which the Bureau will assist and participate.

The general concept of the New Industrial Supply Departments is to be:

1. Mare Island and San Francisco Naval Shipyards (now renamed as Divisions) will establish Industrial Supply Departments to perform functions of:

a. Navy Industrial Fund Shop Stores.

b. Direct Material Inventory.

c. Purchase ($2500 limitation with continuation of unlimited procurement authority for Mare Island "SX" material).

d. Organic technical capability.

2. The Naval Supply Center, Oakland will assume responsibility for the furnishing of complete supply support for material previously furnished from main inventory and the replenishment of NIF Shop stores. No stores returns, Financial Inventory Control Record or Navy Stock Fund allotment accounting will remain at the shipyards.

3. The Naval Supply Center Oakland will assume responsibility for supply support of satellites.

4. As necessary, shop stores stocks will be increased.

5. All non-technical main inventory bin and bulk materials will be physically transferred to the NSC Oakland.

6. Technical material and other material with a primary shipyard use application, will remain at the shipyards, but under the storage custody and control of the NSC Oakland. (Until the NSC Oakland Uniform Automatic Data Processing System has off-station processing capability, interim stock control and accounting procedures will have to be established or the shipyards will have to continue performing these functions for the material. Upon receipt of the results of a Federal Stock Number match, by cognizance symbol, the Bureau of Supplies and Accounts will recommend a course of action.)

7. Bureaus andInventory Control Points will screen and furnish disposition instructions for excess material located at the shipyards.

8. Procedures are to be developed to minimize double-handling of material with a principal shipyard use application, that is, direct delivery to the NSC Oakland shipyard storage locations, or NIF shop stores, of steel plate, sand, special cable, etc.

9. NSC Oakland operated SERVMARTS will be established at each shipyard to support local fleet and industrial repetitive requirements.

10. Responsive delivery and status information procedures are to be assured.

11. Consideration will be given to "double-hatting" the shipyard supply officers as NSC, Oakland representatives at each shipyard.

Further prognostication is dependent on how much of the aforemention-

ed general concept comes into being. The general relationship of the new concept to the initial proposals for BASS made by the Bureaus in Appendix A, reveals their dogged determination to persevere, no matter how long it took. [36]

There is no doubt at all about personnel savings. Some figures being quoted at the moment are in the area of 300 to 400 persons (2 to 2.7 million dollars.)

Close control of the NIF Shop Stores operations will have to be maintained to prevent them from becoming as big an operation as the Supply Departments were before the consolidation.

It is believed that ultimately, the entire supply support responsibilities of the new shipyard complex of the San Francisco Bay Area will be upon the Commanding Officer of the Naval Supply Center, Oakland. This is already the case in the Charleston and Long Beach areas. Whether distance, requisition passing, delivery and other possible difficulties will preclude this occurrence is only for time to reveal.

I like the dreams of the future better than the history of the past.

Thomas Jefferson, 1816

BIBLIOGRAPHY

BIBLIOGRAPHY

Numbered Sources

1. Hitch, C.J. and R.N. McKean. The Economics of Defense in the Nuclear Age. Cambridge: Harvard University Press, 1961.

2. Introduction to Supply. Bureau of Naval Personnel Publication Number 10830. Washington: Government Printing Office, 1949.

3. NavCompt Internal Audit Report Number A105-57 of Mare Island Naval Shipyard. Recommendation Number Seventy.

4. BuShips/BuSandA Joint Letter Serial 730-13-A23/NY9 dated 14 March 1958. Subject: Supply Support in the Bay Area. Letter to Naval Supply Center, Oakland, Mare Island Naval Shipyard, San Francisco Naval Shipyard, Commandant, Twelfth Naval District.

5. Naval Supply Center, Oakland letter Serial Twenty dated 11 April 1958. Subject: Supply Support in the Bay Area. Letter to Mare Island Naval Shipyard and the San Francisco Naval Shipyard.

6. Naval Supply Center, Oakland letter Serial Twenty-five dated 10 September 1958. Subject: Supply Support Pattern in the San Francisco Bay Area. Letter to Chief, Bureau of Ships and Chief, Bureau of Supplies and Accounts.

7. BuShips/BuSandA Joint Letter Serial 730-34-A23/NY9 dated 7 November 1958. Subject: Supply Support Pattern in the San Francisco Bay Area. Letter to Mare Island Naval Shipyard, San Francisco Naval Shipyard and the Naval Supply Center, Oakland.

8. Commandant, Twelfth Naval District Notice 4401 dated 29 December 1958. Subject: Supply Support of Shipyard Satellites and Ships Berthed at Shipyards; revision of.

9. BuShips/BuSandA Joint Letter Serial 731-14-L3/5817 dated 14 January 1959. Subject: Supply Support Pattern in the San Francisco Bay Area.

10. BuSandA Notice 4440 S12 dated 10 February 1959. Subject: Reduction of Inventories in the San Francisco Bay Area.

11. Commander, Mare Island Naval Shipyard letter to Commanding Officer, Naval Supply Center, Oakland dated 18 March 1959. Subject: Distribution Plan for "P" Cognizance Material at West Coast Activities; implementation of

12. Commanding Officer, Naval Supply Center, Oakland letter dated 23 March 1959. Subject: Distribution Plan For "P" Cognizance Material at West Coast Activities; implementation of. Letter to Commanding Officer, Submarine Supply Office.

13. Naval Supply Center, Oakland Letter dated 30 April 1959. Subject: Bay Area Supply Support Plan; request for communication equipment. Letter to the Chief of Naval Operations.

14. BuShips/BuSandA Joint Letter Serial 731-470/L3/6145 dated 2 July 1959. Subject: Supply Support in the San Francisco Bay Area. Letter to Mare Island Naval Shipyard, San Francisco Naval Shipyard and the Naval Supply Center, Oakland.

15. Electronics Supply Office Letter dated 16 July 1959. Subject: Supply Support of Cognizance Symbol "N" Material in the San Francisco Bay Area. Letter to Mare Island Naval Shipyard, San Francisco Naval Shipyard and the Naval Supply Center, Oakland.

16. Bureau of Supplies and Accounts Instruction 4440.73 dated 7 August 1959.

17. General Stores Supply Office Letter dated 19 August 1959. Subject: Supply Support in the San Francisco Bay Area. Letter to Mare Island Naval Shipyard, San Francisco Naval Shipyard and the Naval Supply Center, Oakland.

18. Bureau of Ships Letter Serial 771A-914 dated 16 November 1959. Letter to Commander, San Francisco Naval Shipyard.

19. Commander, San Francisco Naval Shipyard Letter dated 15 January 1960. Subject: Supply Support in the San Francisco Bay Area. Letter to Chief, Bureau of Supplies and Accounts.

20. Commander, Mare Island Naval Shipyard Letter Serial 501-28454 dated 5 Jan. 1960. Subject: Routine Replenishments of Secondary Stock Points. Letter to Chief, Bureau of Supplies and Accounts.

21. Chief, Bureau of Supplies and Accounts Letter dated 1 February 1960. Subject: Stock Levels for Secondary Stock Points. Letter to Commander, San Francisco Naval Shipyard. (Addressed in error).

22. Chief of Naval Operations Letter Serial 29232P94 dated 5 January 1960. Subject: Communication Circuits for San Francisco Bay Area Supply Support Plan.

23. Chief, Bureau of Supplies and Accounts Letter dated 26 January 1960. Subject: Communication Circuits for San Francisco Bay Area Supply Support Plan. Letter Commandant, Twelfth Naval District.

24. Naval Supply Center Letter dated 16 February 1960. Subject: Bay Area Supply Support Teletype Network Proposal Concerning Operation Of. Letter to San Francisco Naval Shipyard and the Mare Island Naval Shipyard.

25. Naval Supply Center, Oakland Instruction 4480.8D dated 5 February 1960. Subject: Bay Area Local Delivery; procedures concerning.

26. Naval Supply Center, Oakland Letter dated 16 June 1960. Subject: BASS Teletype Net Operations; establishment of. Letter to Mare Island Naval Shipyard and the San Francisco Naval Shipyard.

27. Naval Supply Center, Oakland Letter dated 20 January 1961. Subject: Bay Area Service Unit; establishment of. Letter to Mare Island Naval Shipyard and the San Francisco Naval Shipyard.

28. BuShips/BuSandA Joint Letter Serial 626B1-2320 dated 28 April 1961. Subject: Assignment of Outfit Supply Activities; revision to policy for. Letter to a Major Distribution.

29. Mare Island Naval Shipyard Final Progress Report dated June 1960. Subject: Bay Area Supply Support Plan; final progress report on.

30. San Francisco Naval Shipyard Final Progress Report dated 7 September 1960. Subject: Bay Area Supply Support Plan; final progress report on. Report to Chief, Bureau of Supplies and Accounts.

31. Naval Supply Center, Oakland Letter dated 29 May 1962. Subject: BASS Coordinating Committee Meetings. Letter to Mare Island Naval Shipyard and the San Francisco Naval Shipyard.

32. Commandant, Twelfth Naval District Message 082202 of June 1962. Message to Naval Supply Center, Oakland, Mare Island Naval Shipyard and the San Francisco Naval Shipyard.

33. Naval Supply Center, Oakland Letter dated 27 June 1962. Subject: Supply Support under MILSTRIP/NAVSTRIP. Letter to Mare Island Naval Shipyard and the San Francisco Naval Shipyard.

34. San Francisco Naval Shipyard Letter dated 28 June 1962.

35. BuShips Letter Serial 731-69 dated 23 February 1965. Subject: Consolidation of Functions in Connection with Merger of Mare Island Naval Shipyard and the San Francisco Naval Shipyard.

36. BuShips Letter Serial 731-101 (unpublished and undated). Subject: General Concept of New Supply System at San Francisco Bay Navy Shipyard.

General Sources

Arrow, Kenneth J. Studies in the Mathematical Theory of Inventory and Production. Stanford, California: Stanford University Press, 1958.

Baum, Bernard H. Decentralization of Authority in a Bureaucracy. Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1961.

Dyer, George C. Naval Logistics. Annapolis: United States Naval Institute, 1960.

Flood, Kenneth U. Traffic Management. Dubuque, Iowa: William C. Brown Company, Publishers, 1963.

Immer, John R. Materials Handling. New York: McGraw-Hill Book Company, Incorporated, 1957.

Litterer, J. A. Organizations: Structure and Behavior. New York: John Wiley and Sons, Incorporated, 1963.

Melnitsky, Benjamin. Management of Industrial Inventory. New York: Conover-Nast Publications, Incorporated, 1953.

Noel, John V. Naval Terms Dictionary. New York: D. Van Nostrand Company, Incorporated, 1952.

Pfiffner, John M. and Frank P. Sherwood. Administrative Organization. Englewood Cliffs, New Jersey: Prentice-Hall, Incorporated, 1960.

Sechler-Hudson, Catheryn. Organization and Management: Theory and Practice. Washington, D. C.: The American University Press, 1957.

Seligman, E. R. A. and others. Encyclopaedia of Social Sciences. New York: The Mac Millan Company, 1944.

Smithies, A. The Budgetary Process in the United States. New York: McGraw-Hill Book Company, Incorporated, 1955.

Taff, Charles A. Traffic Management; Principles and Practices. Homewood, Illinois: Richard D. Irwin, Incorporated, 1959.

Whitin, Thomson M. The Theory of Inventory Management. Princeton: Princeton University Press, 1957.

Periodical Literature

Ammer, Dean. "It Doesn't Always Pay to Cut Inventories," Purchasing, LI (July 31, 1961), 40-41.

"Don't Throw Away Dollars on Unwieldy Inventories," Steel, CLII (February 18, 1963), 60-61.

Dorsey, John T. Jr. "A Communication Model for Administration," Administrative Science Quarterly, II (December, 1957), 307-324.

Johnson, Fred. "Quick Inventory Turnover Puts Pressure on Purchasing," Purchasing, LIV (February 11, 1963), 81.

MacCullough, A. V. "Why Decentralization Fails," Management Review, XLIX (August, 1960), 52-54.

Seares, Al N. "Consolidated Functions Concept," Advanced Management, XXV (June 1960), 22-28.

"With Courage and Good Sense," Time, LXXXVIX (November 27, 1964), 29.

Government Publications

Bureau of Supplies and Accounts. BuSandA Manual, Volumes I and II. Washington: Government Printing Office, 1946.

Bureau of Naval Personnel. Introduction to Supply. NavPers 10830, Washington: Government Printing Office, 1949.

Bureau of Supplies and Accounts. Storage and Materials Handling. Washington: Government Printing Office, June 1955.

U.S. Navy Regulations. Washington: Government Printing Office, 1948.

Hearing Before the Subcommittee on Census and Government Statistics of the Committee on the Post Office and the Civil Service, House of Representatives. Eighty-eighth Congress-First Session (11 June 1963) Washington: Government Printing Office, June 1963.

APPENDIX

APPENDIX A

The initial proposal by the Bureau of Ships and the Bureau of Supplies and Accounts for an optimum supply support pattern for the San Francisco Bay Area.

1. It is requested that the Commander, Mare Island Naval Shipyard, the Commander, San Francisco Naval Shipyard, and the Commanding Officer, Naval Supply Center, Oakland, jointly develop a plan for realignment of supply support patterns in the San Francisco Bay Area to provide for the following support concept which is designed to reduce over-all complex inventories and improve storage space utilization while assuring continued responsive support of operational requirements:

a. The Supply Department of each Shipyard will be concerned principally with providing supply support for the industrial effort of the shipyard, including the following functions:

(1) Inventory control of NIF Shop Stores.

(2) Procurement, receipt, custody and issue of NIF Shop Store stocks and materials for direct production use.

(3) Liaison with the Naval Supply Center to assure responsiveness of off-station supply support to Shipyard requirements.

b. The Supply Department of each Shipyard will continue to carry primary supply system stocks of selected items which are used predominantly in industrial-type operations, including:

(1) Items of major equipment which are to be installed, repaired, overhauled, renovated, specially preserved, kept under technical surveillance or otherwise subjected to industrial-type processes by the Shipyard (i.e., selected items of cognizance symbols "F", "S", "P", and "J").

(2) Selected items, or groups of items, of general stores material (cognizance symbol "G") which are used predominantly in industrial operation (i.e., basic metals, boiler tubes, cable and like items intended for production use).

(3) Items other than those included in subparagraphs 1.b(1) and (2) which, because of their physical characteristics of the location of the predominant consumer, would be most advantageously carried by the shipyard.

c. The existing pattern for providing supply support to active ships in the area in items of subsistence, clothing, fuel and lubricants will not be disturbed by this realignment of supply support responsibilities.

d. Supply system stocks of all other categories of material will not be carried by the Shipyard. The Naval Supply Center, Oakland, within the scope of its existing responsibilities as a primary stock point and distribution point, will assume responsibility for full supply support

of the shipyards and their dependents for items not stocked at the Shipyards. Shipyard requirements for items in material categories not carried by the Center will be processed by the Shipyard Supply Department direct to the appropriate source of supply in accordance with established supply support channels.

2. The jointly developed plan is to be forwarded for approval to BUSHIPS (Code 730) and BUSANDA (Code OL), via the Commandant, Twelfth Naval District, at an early date which is mutually agreeable to the addressees. For planning purposes 1 September 1958 is established as a target date for completion of the plan.

3. With the concurrence of the Commandant, Twelfth Naval District, the Commanding Officer, Naval Supply Center, Oakland, is requested to coordinate local efforts as necessary in development of this plan.

4. BUSHIPS and BUSANDA will provide guidance and assistance as requested.

APPENDIX B

This appendix contains a verbatim copy of the plan profferred by the San Francisco Bay Area Supply activities in response to the information requested in Appendix A.

A PLAN

For The Realignment Of

SUPPLY SUPPORT PATTERNS

In The

SAN FRANCISCO BAY AREA

I. ULTIMATE SUPPORT PATTERN

A. Assignment of Responsibility for Support of Bay Area Dependents.

Naval Supply Center, Oakland will assume complete material support responsibility for all vessels in the San Francisco Bay Area and those satellites presently supported by Naval Shipyards Mare Island and San Francisco, except:

1. Non-replenishable Emergency issues may be made by Naval Shipyards Mare Island and San Francisco to ships during availabilities.

2. Issues of carried items (see paragraph I-B below) may be made to local shore activities on a replenishable basis.

B. Echelons of Supply.

1. Naval Shipyards Mare Island and San Francisco will be primary stock points for Cognizance Symbols "F", "J", and "S" material, and material of the following classes in cognizance codes as indicated:

Class	Cognizance		Class	Cognizance		
2010	G	H	58-All		H	
2040	G	H	5815			N (1)
2910	G	H	5990		H	
2940	G	H	6105		H	
3432	G	H	6140		H	
3510	G	H	6145	G	H	
3950	G	H	6320		H	
41-All		H	6605		H	
43-All	G	H	6730		H	
4410		H	6830	G		
4450		H	7310	G	H	
4530		H	7320	G	H	

4540		H	8120	G
4620		H	95-All	G
47-All	G	H	96-All	G
48-All	G	H	All Fraction Code X as appropriate	

Note (1) Naval Shipyard San Francisco Only

The foregoing classes include industrial use material and former "S" Cognizance items transferred to "H" and "G" Cognizance. Repair parts in these classes may be reduced in depth and breadth in accordance with criteria hereinafter defined.

2. Cognizance Symbol X material and stock Automotive Equipment (except passenger carrying), Materials Handling and Mobile Weight Handling Equipment (Bureau of Ships) will be transferred to Naval Supply Center, Oakland or as otherwise directed by the Inventory Manager.

Note (2) Transfer of Cognizance Symbol X material from Naval Shipyard Mare Island to Naval Supply Center, Oakland has been approved by Commander, Military Sea Transport Service Letter Serial 883 M4 S2 (C-4621) dated 1 August 1958.

Note (3) Bureau of Ships Instruction 9831.1A assigned Naval Shipyard San Francisco as an issue point for Automotive Equipment (except passenger carrying), Materials Handling and Mobile Weight Handling Equipment of the Bureau of Ships.

3. Naval Supply Center, Oakland will become the West Coast Distribution Point for Cognizance Symbol "P" material. This designation cannot be made until stocks have been transferred from Naval Shipyard Mare Island to Naval Supply Center, Oakland. As this question involves the Bureau of Ships, Submarine Supply Office, Naval Supply Center, Oakland and Naval Shipyard Mare Island, ultimate disposition should be handled as a separate matter. Naval Supply Center, Oakland will initiate appropriate action in this regard.

4. Naval Shipyards Mare Island and San Francisco will confine stocks of non-industrial "H", "N", "G", and "Z" material (except ZX fraction) to items having repetitive issues, with depth reduced to 90 days' operating level, plus safety factor and procurement lead time as provided for secondary stock points in Volume II, BuSandA Manual, and as may be modified by local experience.

Naval Shipyards Mare Island and San Francisco will make periodic stock reviews to meet above objectives.

For this purpose, a repetitive issue is defined as that frequency of demand which warrants the establishment of a new item in stock in accordance with criteria prescribed by inventory managers in Volume II, BuSandA Manual. In the case of Cognizance "N" material, the criteria for Cognizance "G" will apply.

5. Naval Shipyards Mare Island and San Francisco will procure Cognizance Symbol "GA" material items when it is more practical to do so

than procure from Naval Supply Center, Oakland due to the nature of the item and sources of supply involved.

C. Supply Operations.

1. Planned Requirements.

a. Naval Shipyards Mare Island and San Francisco will retain basic responsibility for insuring the availability of planned requirements of the Shipyards.

b. Items Available at Naval Supply Center, Oakland. For those cognizance symbol material items for which Naval Shipyards Mare Island and San Francisco will no longer be Primary Stock Points, Naval Supply Center, Oakland will provide information as to the availability of stocks at Naval Supply Center, Oakland. Items may be reserved in Naval Supply Center, Oakland stocks upon request of the Shipyards.

c. Items Not Available at Naval Supply Center, Oakland. If non-availability at Naval Supply Center, Oakland is indicated, the planned requirements will be forwarded to Naval Supply Center, Oakland for procurement and reservation if requested.

2. Purchase Authority. Naval Shipyards Mare Island and San Francisco will retain current purchase authority.

II. PHASED IMPLEMENTATION. (See Note (4))

A. Immediate

1. Bureau of Supplies and Accounts/Bureau of Ships.

Initiate action to transfer Cognizance Symbol X items and Automotive equipment (except passenger carrying), Materials Handling and Mobile Weight Handling Equipment from Naval Shipyard San Francisco to Naval Supply Center, Oakland or as otherwise directed by the Inventory Manager.

2. Supply Demand Control Point Action.

a. Expedite disposal and redistribution action on excesses held at Naval Shipyards Mare Island and San Francisco.

b. Discontinue passing requisitions in retail quantities to Naval Shipyards Mare Island and San Francisco if available elsewhere, minimizing retail redistribution and emphasizing wholesale redistribution of excess stock.

Note (4) Naval Shipyards Mare Island and San Francisco, as authorized by the Ordnance Supply Office, have completed transfer of inactive Z Cognizance material to Naval Supply Center, Oakland, and have been designated secondary stock points by Ordnance Supply Office.

3. Naval Supply Center, Oakland.

a. Assume responsibility for stock material support of all currently assigned satellites and fleet units berthed at Naval Shipyards Mare Island and San Francisco.

b. Accept material turned in by ships at Naval Shipyards Mare Island and San Francisco, except for Cognizance Symbols "S", "F", "J", and "P".

c. Assume responsibility as Outfit Supply Activity (Supply Officer furnished material) in support of new construction and conversion programs at Naval Shipyards Mare Island and San Francisco.

d. Consider all demands of Naval Shipyards Mare Island and San Francisco in affected cognizances as replenishable.

B. Future

1. Supply Demand Control Point Action.

a. Designate Naval Shipyards Mare Island and San Francisco as secondary stock points by cognizance code on the beginning dates of stock purification and transfer in accordance with the implementation schedule. See paragraph C-1 below.

b. On designating Naval Shipyards Mare Island and San Francisco as secondary stock points, divert or direct shipments resulting from central procurement and redistribution to Naval Supply Center, Oakland, vice the Naval Shipyards, except for definite planned projects and interim replenishments.

2. Naval Supply Center, Oakland. On designation of Shipyards Mare Island and San Francisco as secondary stock points by cognizance code:

a. Provide availability information to Naval Shipyards Mare Island and San Francisco on cognizance codes in secondary status.

b. Procure "Not in Stock" or "Not Carried" items to support planned requirements of Naval Shipyards Mare Island and San Francisco.

c. Naval Supply Center, Oakland will make comparison of Naval Shipyards excesses with Naval Supply Center, Oakland current stock activity and forward results to Supply Demand Control Point involved, requesting disposition instructions on stocks excess to Naval Supply Center, Oakland requirements.

3. Naval Shipyards Mare Island and San Francisco.

a. Determine the range and depth of stock of items with repetitive usage to support their respective efforts, based on prescribed criteria for operating levels of supply. All excess items and quantities to be reported to the appropriate Supply Demand Control Point, via Naval Supply Center, Oakland.

b. Subsequent to receipt of disposition action from Supply Demand Control Points, Naval Shipyards Mare Island and San Francisco and Naval Supply Center, Oakland will arrange a mutually agreeable schedule for the movement of stocks to be transferred to Naval Supply Center, Oakland.

C. Schedule

1. It is planned to accomplish the above purification and transfer of stocks according to the following schedule (see paragraph B-1a above):

Cognizance	Completion Time Subsequent To Approval of Plan
Z	3 Months
N	6 Months
H	9 Months
Non-Industrial G	12 Months

2. Cognizance "F", "J", and "S". Bureau of Ships and Bureau of Ordnance review stocks of ready-for-issue items in store at Naval Shipyards Mare Island and San Francisco, and for items which are not specifically committed to definite installations and do not require technical surveillance, initiate action to transfer to Naval Supply Center, Oakland, obtaining additional storage allocation from the Bureau of Supplies and Accounts if necessary.

APPENDIX C

On 7 November 1958 the Bureau of Ships and the Bureau of Supplies and Accounts reconstituted and promulgated a new overall plan for the consolidation of supply functions in the San Francisco Bay Area.

OUTLINE PLAN FOR CONSOLIDATION OF SUPPLY INVENTORIES AND RELATED SUPPLY FUNCTIONS IN THE SAN FRANCISCO BAY AREA

I. ULTIMATE SUPPLY SUPPORT CONCEPT

1. Supply Departments, Mare Island and San Francisco NAVSHIPYD's are to:

a. Be discontinued as supply distribution activities, carry no supply inventories, except NIF inventories, and perform no supply system functions.

b. Be reduced and appropriately reorganized to perform the following principle functions:

(1) Administration of NIF Shop Stores and Direct Material Inventory.

(2) Purchase of industrial materials not obtainable from supply system stocks, within present purchase authority; and, in accordance with local arrangements, procure items not-in-stock at NSC Oakland to satisfy emergency situations at the Shipyards (Item III - 1 and 2).

(3) Liaison with NSC Oakland to assure continuity of support of Shipyard material requirements.

2. NSC Oakland is to:

a. Carry consolidated supply inventories necessary to support the Shipyards, vessels in the Shipyards, and shore activities presently dependent on the Shipyards for supply support.

b. Provide complete and responsive supply support for the Shipyards and present Shipyard dependents, utilizing the optimum combination of the several approved procedural arrangements, including:

(1) Ready supply stores

(2) Auxiliary stores

(3) Direct delivery from regular Center stocks, which may be prepositioned either at the Center site or on the Shipyard premises.

c. Establish an appropriately staffed organizational component on the premises of each Shipyard to administer NSC Oakland support responsibilities at the Shipyard site. This component is to be headed by a Supply Corps Officer of adequate rank and experience to assure complete

responsiveness of assigned functions to Shipyard requirements. This Officer will report for additional duty to the appropriate Shipyard Commander. The principal functions of this component are to include the following:

(1) Liaison with the Shipyard Supply Officer

(2) Administration of NSC Oakland supply support operations on the Shipyard premises (item I-2 above.)

(3) Receipt of material turned in by vessels in the Shipyard.

(4) Other coordination functions assigned by the Commanding Officer, NSC Oakland.

II. BASIC OBJECTIVES

To achieve the optimum balances among the following objectives, consistent with economy and continued responsiveness to total service requirements:

1. Maximum economy of overall supply support operations.

2. Minimum complex inventory levels.

3. Minimum relocation of stocks and initial adjustment costs.

4. Minimum duplication of supply organizations, facilities and functions.

5. Timely satisfaction of Shipyard material requirements.

6. Maximum refinement of Shipyard Supply Department efforts to permit concentration on industrial supply support.

7. Maximum consolidation of supply system distributive responsibilities in NSC Oakland.

III. SHIPYARD SUPPLY SUPPORT

1. NIF Inventories. The first echelon of supply support for Shipyard material requirements will continue to be NIF Shop Stores and Direct Material Inventory. No basic change is contemplated in NIF inventory and related supply functions. NIF Shop Stores are to be replenished from NSC Oakland supply system stocks, or, if a commercial item, from purchase. Local arrangements may be made whereby items not-in-stock at NSC Oakland, but necessary to satisfy an emergency situation at the Shipyard, may be obtained from other sources by the Shipyard for direct delivery. NSC Oakland must be so advised to assure proper treatment of historical demand data.

2. Purchase. Shipyards are to retain current purchase authority and perform own industrial purchasing within the scope of that authority. Purchase requirements beyond Shipyard authority are to be referred to NSC Oakland for purchase action.

3. Supplemental stocks. A limited (90-day) stock of selected, fast-moving items may be established in a single location at each Shipyard to supplement (but not duplicate) NIF Shop Stores and to make direct issues of items not carried in the NIF Shop Stores. These stocks will be under the custody and inventory control of NSC Oakland. The Center is to develop, in conjunction with the Shipyards, the optimum combination of procedural mechanisms (i.e., ready supply stores, auxiliary stores with postposting procedures, etc.) to permit proper inventory control over these stocks, consistent with the needs of each Shipyard. Such procedures are to be appropriately tailored to satisfy local requirements while maintaining consistency with other objectives (item II above). (NOTE: The "Rapid-Issue" concept now employed by the San Francisco NAVSHIPYD, whereby limited stocks of some 70,000 items provide 80% of all industrial issues, may serve as a pattern for these supplemental stocks").

4. Operating Principles. The following principles are to be incorporated in the procedures of the consolidated NSC Oakland supply operation to assure responsive support of Shipyard material requirements:

a. NSC Oakland is to issue, obligate or procure items, as appropriate, based on Shipyard requirement documents (stub requisitions, advance material requirements lists, etc.).

b. NSC Oakland is to record issues to Shipyards as replenishable demand.

c. Shipyard planned requirements are tobe treated as follows:

(1) Shipyards retain basic responsibility to initiate appropriately timed requests to assure availability of planned requirements.

(2) Items available at NSC Oakland are to be reserved in stock as requested by the Shipyards.

(3) Items not available at NSC Oakland are to be procured by NSC Oakland and reserved in stock as requested by the Shipyards.

(4) NSC Oakland and the Shipyards are to maintain a continuing closely-coordinated review of outstanding planned requirements and institute positive procedures to assure prompt cancellation of items no longer required.

d. NSC Oakland is to maintain such daily delivery schedules as are necessary to assure timely delivery of Shipyard material requirements.

e. NSC Oakland, in conjunction with the Shipyards, is to develop transceiver or other appropriate rapid-communication systems between the Center and the Shipyards to facilitate prompt transmission of necessary supply support information.

f. NSC Oakland is to annotate copies of Shipyard requirements documents with advice as to material availability and return them to the Shipyard.

g. NSC Oakland is to establish additional liaison contacts within the Center, as appropriate, to facilitate the interchange of information relative to Shipyard material requirements.

IV. DISPOSITION OF SHIPYARD SUPPLY STOCKS

1. General. All Shipyards' supply stocks, except NIF inventories, are to be transferred to the custody of NSC Oakland; however, relocation of stocks to the Center site need not precede the effective date of consolidation. As a goal, relocation is to be accomplished by attrition to the maximum practicable extent. (NOTE: Priority attention is to be given, however, to relocation of stocks of the San Francisco NAVSHIPYD to permit evacuation of leased space and to generate necessary additional space for interim storage of industrial items).

2. Excesses. BUSANDA will arrange for the several inventory managers to critically review the composite Shipyard-Center inventories, reduce stocks to meet requirements of the consolidated supply operation, and issue disposition instructions for items in excess of area and system requirements.

3. Ultimate Stock Locations. As a matter of policy, only the following categories of material are to be pre-positioned as supply stocks on the Shipyard premises under custody and control of NSC Oakland:

a. Items specified by NSC Oakland which are used predominantly in the Shipyards' industrial effort (i.e., selected items of cognizance symbols S,J,F and "yard classes" of G, H and N), including items in a not-ready-for-issue condition requiring repair or overhaul by Shipyards' industrial organizations.

b. Items of equipment definitely committed to Shipyards' installation projects or similar active programs.

c. Limited quantities of selected fast-moving stocks for supplement NIF Shop Stores (item III-3 above). (NOTE: To avoid mass relocation of fast-moving stocks, the prescribed stock level of 90 days is to be reached by attrition wherever possible).

All other supply stocks are to be pre-positioned ultimately in NSC Oakland facilities rather than in the Shipyards.

V. TRANSFER OF SHIPYARD INVENTORY CONTROL RESPONSIBILITIES

1. NSC Oakland is to develop, in conjunction with the Shipyards, a time-phased plan to transfer to the Center responsibility for inventory control of Shipyard supply stocks, except NIF inventories.

2. The consolidation of inventory control responsibilities in NSC Oakland is to be achieved with the minimum possible disruption of supply support operations.

3. NSC Oakland is to develop, in conjunction with the Shipyards, the optimum combination of procedural mechanisms (as indicated in Item III-3 above) to exercise inventory control over stocks positioned on Shipyard premises, appropriately tailored to satisfy local needs and in consonance with other objectives. NSC Oakland is to determine the adaptability of post-posting procedures for issues of regular stock items pre-positioned on Shipyard premises.

4. NSC Oakland is to assure that plans and schedules relative to this transfer are carefully coordinated with inventory managers to permit appropriately timed action by the inventory manager concerned to:

a. Divert inbound Shipyard replenishments to NSC Oakland.

b. In system redistribution operations, discontinue referring retail items to the Shipyards for issue when the items are available elsewhere, to permit concentration on the consolidation process.

5. On approval to implement the consolidation, NSC Oakland will commence immediately to fill Shipyard interim requirements from local stocks.

VI. TRANSFER OF NON - INDUSTRIAL ACCOUNTING FUNCTIONS

All non-NIF accounting functions presently performed by the Shipyards, other than those directly related to their own industrial operations, are to be transferred to NSC Oakland. Material issues to the Shipyards are to be billed by the Center as direct charges to NIF. No stores accounting is to be performed by the Shipyards since no supply stocks are to be carried.

VII. OUTFIT SUPPLY ACTIVITY OPERATIONS

Shipyards are to continue to be designated as Outfit Supply Activity for their respective construction and conversion programs; however, the source of "Supply Officer Furnished material" is to be shifted to NSC Oakland. Local procedures should provide for the following:

1. Shipyards are to furnish lists of Supply Officer Furnished material to NSC Oakland indicating delivery instructions.

2. NSC Oakland is to issue and deliver items of "Supply Officer Furnished material" to the designated assembly area in the Shipyard.

3. Shipyards are to accept supply items from NSC Oakland at the designated assembly area and perform remaining functions of the Outfit Supply Activity.

VIII. MISCELLANEOUS OPERATIONAL PROVISIONS

1. Repair of Industrial-Type Items. Industrial items in a non-RFI condition are to be forwarded for repair by NSC Oakland directly to Shipyard shops on a custody basis, not transferred between Supply Officers.

2. Special Supply Projects. Special supply projects presently assigned.

the Shipyard Supply Departments, such as the Supply Availability Program, are to be reassigned to NSC Oakland where practicable.

3. Material Turned-in to Store. Material turned-in by vessels in the Shipyards is to be accepted for processing by the NSC Oakland "liaison group" at the Shipyard, not the Shipyard Supply Department.

IX. WAREHOUSES AND RELATED EQUIPMENT

Generally, warehouses, open storage areas and related equipment are to remain with the Shipyards. However, the Shipyards are to provide warehouse facilities required by the Center to accommodate materials to be prepositioned on the Shipyard premises and support operations to be performed at the Shipyard site by NSC Oakland. As an objective, the Center is to perform as much of the consolidated supply task as possible with present equipment. Justified additional equipment may be acquired by transfer from BUSHIPS on a permanent ownership basis to the extent permitted by residual Shipyard equipment requirements.

X. ORGANIZATION AND STAFFING

Adjustments must be made in the procedures, organization, staffing and funding structures of the Shipyard Supply Departments and the Center to accommodate this realignment of supply and fiscal support functions. Generally, each shipyard supply department is to consist of the Supply Officer and assistants necessary for planning, administration and performance of only the following residual functions:

Supply Control, including:

Liaison and coordination with NSC Oakland and Shipyard Departments with respect to supply support of Shipyard requirements.

Purchasing, receipt control and material inspection

Material handling functions related to NIF Shop Stores and Direct Material Inventory operations, including:

Receiving and delivery

Physical handling of items for disposal

Shop Stores operations, including:

Control - stock records, replenishment, related functions

Inventory

Warehousing

Direct Material Inventory operations, including:

Control

Receiving

Warehousing

Residual Supply Department functions in Outfit Supply Activity operations (Item VII above)

Personnel of the Shipyard Supply Departments affected by this action are entitled to exercise their rights under the transfer of functions procedure set forth in NCPI 170.9.

APPENDIX D

Following the BuShips, BuSandA, NSC Oakland, and shipyard's conference at Oakland on 17-18 November 1958, the area to be studied, as provided in Appendix C was reiterated as Enclosure (1) to the following basic letter promulgated by the two bureaus on 14 January 1959.

JOINT LETTER

From: Chief, Bureau of Supplies and Accounts
Chief, Bureau of Ships
To: Commander, Mare Island Naval Shipyard
Commander, San Francisco Naval Shipyard
Commanding Officer, Naval Supply Center, Oakland
Via: Commandant, Twelfth Naval District

Subj: Supply Support Pattern in the San Francisco Bay Area

Ref: (a) BUSHIPS-BUSANDA ltr L8-6(730) Ser 730-13, L3/5342 A23/NY9 of 14 Mar 1958
(b) NSC Oakland ltr Code 25 of 10 Sep 1958 with COMTWELVE 1st End
(c) BUSHIPS-BUSANDA ltr ND/12/A3(730) Ser 730-34, L3/5718 A23/NY9 of 7 Nov 1958
(d) BUSHIPS-BUSANDA-Mare Island NAVSHIPYD-San Francisco NAVSHIPYD-NSC Oakland Conference at Oakland 17-18 Nov 1958
Encl: (1) Outline Plan for Consolidation of Supply Inventories and Related Supply Functions in the San Francisco Bay Area

1. References (a) and (b) represent the results of preliminary planning for the realignment of supply support patterns in the San Francisco Bay Area industrial-supply complex. In accordance with guidelines furnished by the Bureau of Ships and the Bureau of Supplies and Accounts, this planning was designed to continue the Mare Island and San Francisco Naval Shipyards as supply distribution activities, but to limit Shipyards' material inventories to items used predominantly for industrial purposes (i.e., cognizance symbols S, F, J and "yard classes" of G, H, and N. It was anticipated that the Naval Supply Center, Oakland would provide full supply support to the Shipyards in items not stocked by their respective Supply Departments. Reference (c) approved for immediate implementation the preliminary actions proposed in subparagraphs 6a, b and c of reference (b) and indicated that the overall consolidation concept was being examined by BUSHIPS and BUSANDA to determine the practicability of a more complete integration of supply inventories and non-industrial supply functions than was originally contemplated.

2. The continuance of more than one major supply distribution activity in the Navy industrial-supply complexes has been cited as unnecessary and uneconomical duplication by various inspection and audit teams, including those of the General Accounting Office, the Naval Inspector General and the Comptroller of the Navy. Consolidation of inventories and supply functions

in these complexes has been strongly recommended by these agencies. In this connection funds for service-wide supply operations in Fiscal Year 1960 have been curtailed at the budget review level based upon estimates of savings which can be realized by such consolidations. Since the locally developed plan, reference (b), did not envision a substantial consolidation of supply functions and since the plan did not include an estimate of the savings potential, the Bureaus are not presently in a position to either concur with or disagree with the amount of the savings estimated during budget review. The Bureaus do agree, however, that the potential for savings of both men and material is of sufficient significance to warrant a more comprehensive local analysis to develop optimum supply support arrangements for this industrial-supply complex.

3. Enclosure (1) details some concepts which have been developed by the Bureaus, discussed during reference (d), and which should be the subject of a detailed feasibility study, including evaluation in terms of savings, responsiveness, and elimination of duplication in supply functions in the Bay Area. Basically, the proposal detailed in enclosure (1) is the Bureaus' detailed summary of the thoughts expressed during the conference, reference (d). It provides for maximum consolidation of supply system functions into NSC Oakland. This concept provides for retaining a supply liaison and purchase group within the Shipyards.

4. Several other patterns of supply support exist. The following concepts, completely undetailed, are also considered to merit considerable study and cost evaluation since they may permit, in a practicable way, realization of the objectives of a reduction of at least 250 man years of effort (approximately $1.2 millions savings to the appropriation Servicewide Supply and Finance), reduced inventory levels in the area, and assurance of fully responsive supply support:

a. Realign supply support responsibilities as proposed in reference (b).

b. Continue Shipyards as supply distribution activities, but discontinue Shipyards' supply inventories which duplicate items in NIF Shop Stores, where necessary, and replenish them direct from NSC Oakland.

c. Discontinue Shipyard supply departments and reassign the residual industrial supply functions (items I-1-b of enclosure (1)) to a Material Division of the Shipyard Planning or Production Department.

d. Realign primary and secondary supply support responsibilities in such a manner as to eliminate the duplication of any cognizance symbol, or classes when appropriate, between the Shipyards and NSC Oakland, similar to the Pearl Harbor consolidation.

5. In studying the several possible supply support patterns, it is requested that a realistic evaluation of additional planning and scheduling costs, transportation costs and follow-up costs at the Center and the Shipyards be included as well as the following:

a. Proposed adjustment of existing organization structures, staffing and funding requirements.

b. An estimate of extraordinary costs involved in the consolidation

process.

c. Residual problem areas requiring resolution at the Navy Department level, together with recommended solutions.

6. In each case the study of the support patterns listed above, and any additional ones developed locally, should be progressed to the point where feasibility can be clearly established. Those patterns which prove to be feasible should be made the subject of a detailed plan including the elements in paragraphs 4 and 5 above and submitted to the Bureaus with appropriate recommendations. Such a study is specifically requested for the concept outlined in enclosure (1). Because of other improvement actions in process, such as inventory management with computers, care must be exercised in segregating any related savings from those resulting from consolidation plans. In view of the fact that the fiscal year 1960 budget has been reduced by $1.2 millions based on an assumed potential savings to SWS&FN of 250 man years through action in the San Francisco Bay area, it is urgent that studies be completed as soon as possible. It is desired that a target date of 1 March 1959 be established for submittal of the preliminary plans. Phased implementation should be contemplated with the intent that action will be well underway by 1 July 1959. BUSANDA and BUSHIPS will provide guidelines and assistance in specific problem areas as requested, including a visit of bureau representatives during February 1959 to discuss locally developed plans prior to submission.

7. As proposed in reference (b), and to facilitate implementation of consolidation plans, BUSANDA is requesting the several inventory managers to critically review the supply inventories of the two Shipyards, to identify system excesses to Shipyard stocks wherever possible, and to dispose of such excesses from Shipyard stocks.

8. With the concurrence of the Commandant, TWELFTH Naval District, the Commanding Officer, NSC Oakland, is requested to coordinate local efforts as necessary in the further development of consolidation plans

APPENDIX E

On 24 April 1959, the Bay Area activities involved submitted a collection of various forms of attack on the Bay Area Supply Support Pattern consolidation. Plan VI, developed by the Naval Shipyard, San Francisco, is provided in this appendix.

PLAN VI

I. ASSIGNMENT OF RESPONSIBILITY FOR SUPPORT OF BAY AREA DEPENDENTS

In accordance with 12ND Notice 4401 of 29 December 1958, Naval Supply Center, Oakland assumed complete material support responsibility for all vessels in the San Francisco Bay Area and those satellites formerly supported by Naval Shipyards Mare Island and San Francisco, except non-replenishable emergency issues may be made by Naval Shipyards Mare Island and San Francisco to ships and local activities.

II. ECHELONS OF SUPPLY

A. Line items carried at NSY will be reduced to an estimated 25,000. With the exception of approximately 600 selected items, Shipyards will become a non-reporting secondary stocking point. The 600 carried items will be held in a reporting secondary status.

B. The Supply Department will carry back-up stocks of Shop Stores items to a limited degree only. It is anticipated that this will cover a 5 to 10 percent range of Shop Stores items, selected on the basis of the rate of issue and the Shop Store physical limitations restricting full sixty to ninety days stock requirements from being carried. Items falling in this category are welding electrodes, pipe, tubing, cable, and steel. In addition, some items which have a continuing Shop Store requirement and also frequent requirements through rapid-issue procedures for direct use will be retained. All of the above are intended to hold duplication of stock between Shop Stores and the main inventory to a minimal degree consistent with the industrial support required.

C. The responsibility for "F", "J" and "S" cogs will be transferred to Naval Supply Center, Oakland; however, relocation of stocks would take place over a period of two years or even more in order to reduce local inventories by attrition with resultant decrease in transportation and handling costs. Until stocks are actually moved to Naval Supply Center, Oakland, the Supply Department would store the material and would make issues as requested by Naval Supply Center, Oakland. The above will also be applicable to "P" cog equipments positioned at the shipyard.

D. All materials and equipments procured from other Supply Officers for direct issue to a program or project will be billed directly to the Navy Industrial Fund (Form 1080 procedure vs. OSO procedure) rather than transferred to the Supply Officer. This will reduce the stores accounting functions in the Supply and Comptroller Departments to a practical minimum.

III. SUPPLY OPERATIONS

A. Planned Requirements.

1. Basic Responsibility. Naval Shipyard will retain basic responsibility for insuring the availability of planned requirements of the shipyard.

2. Items Available at Naval Supply Center, Oakland. Naval Supply Center, Oakland will provide information as to the availability of stocks at Naval Supply Center, Oakland. Items may be reserved in Naval Supply Center, Oakland stocks upon request of the Shipyard.

3. Items Not Available at Naval Supply Center, Oakland. If non-availability at Naval Supply Center, Oakland is indicated, the planned requirements will be forwarded to Naval Supply Center, Oakland for procurement and reservation if requested.

B. Issues Direct to NIF. All issues by Naval Supply Center, Oakland to Shipyard end-use will be billed direct to NIF.

C. Purchase Authority. Naval Shipyard will retain current purchase authority.

D. Preservation. Supply Departments will perform minimal preservation.

- -

SAN FRANCISCO NAVAL SHIPYARD COMMENTS

A. Since BuShips/BuSandA Joint Ltr of 14 January 1959 indicated that Plan II was considered by the Bureaus not to provide the desired degree of integration of supply inventories and functions, the San Francisco Naval Shipyard developed a Plan VI with the intent of maximizing that integration while at the same time minimizing the adverse effects on supply support responsiveness.

B. San Francisco Naval Shipyard considers that Plan VI:

1. Concentrates Shipyard Supply Department effort on industrial support.

2. Consolidates supply distribution functions.

3. Minimizes duplication of supply organization, facilities, and functions.

4. Minimizes duplication of stocks in the Bay Area, including within the Shipyard.

5. Achieves a 75% reduction in Shipyard main inventory stocks.

6. Removes only a minimal amount of material from the reporting system consistent with the savings to be obtained.

C. However, it is recognized that implementation of this plan might be too rapid a change in the Bay Area supply support system, thus

increasing the risk of adversely affecting the productive effort substantially out of proportion to the increased savings to be achieved.

MARE ISLAND NAVAL SHIPYARD COMMENTS

A. This Plan is an extension and expansion of Plan II in three basic respects:

1. Further item reduction.

2. Substantial reduction in Cogs F, J, S, and P (Equipments) material through disposal and transfer action.

3. Transfer of control functions for Cogs F, J, S, and P (Equipments) remaining at the Shipyard to NSC, Oakland.

B. Comment on each point follows:

1. The possibility of further item reduction of stock is recognized. However, this must be done on the basis of refined and detailed analysis of usage and storage factors. Mare Island stock records were converted to EDP in February 1959. It is considered that the accumulation of industrial-support-usage information for a period of one year will permit such a refined and detailed analysis. The stock levels thus attained should not be less under similar workload than that ultimately achieved under Plan II.

2. The stocking of Cogs F, J, S, and P (Equipments) at the Shipyard, unless intended for a specifically planned shipboard installation, is not required. However, the one-time costs of moving the substantial stocks from Mare Island are considered prohibitive. Furthermore, much of this material is not ready for issue and would require movement back to the Shipyard for repair and overhaul prior to issue.

3. Since Plan VI envisions the retention of the control function at the Shipyard for other stocks, no advantage is seen in transferring the control function for Cogs F, J, S, and P (Equipment) to NSC, Oakland. The cost of performing this function (and Stores Accounting) for the relatively few items involved is considered relatively insignificant, and the transfer of this function would provide little, if any, savings. It is possible that less rather than greater efficiency would result since:

a. The receipt, maintenance-in-store, and issue of these items is not "clean". Incomplete items, type of repairs necessary, condition code, serial numbers, cannibalization, etc., all tend to complicate the paperwork.

b. Much of the material moves as a result of direct telephone conversation with the Bureau or SDCP concerned.

c. NSC, Oakland would be placed in the position of a middleman, performing the control function, but with the material handling and technical functions being performed by the Shipyard.

NSC, OAKLAND COMMENTS

To the extent that stocks of SDCP controlled material at the Shipyards would be less under Plan VI than under Plan II, NSC, Oakland considers Plan VI preferable to Plan II. It is to be noted, however, that under Plan BI, considerable SDCP cog material remains outside the reporting system and thus unavailable for emergencies elsewhere. Further, for these unreported materials, the Shipyards' changes in demand rates are not reflected and reported to the SDCPs until and unless the Shipyards replenish from NSC, Oakland or turn in material as excess.

APPENDIX F

On 24 April 1959, the Bay Area Activities involved submitted a collection of various forms of attack on the Bay Area Supply Support Pattern consolidation. Plan VII, developed by the Naval Supply Center, Oakland, is provided in this appendix.

PLAN VII

I. ASSIGNMENT OF RESPONSIBILITY FOR SUPPORT OF BAY AREA DEPENDENTS

In accordance with 12ND Notice 4401 of 29 December 1958, Naval Supply Center, Oakland assumed complete material support responsibility for all vessels in the San Francisco Bay Area and those satellites formerly supported by Naval Shipyards Mare Island and San Francisco, except non-replenishable emergency issues may be made by Naval Shipyards Mare Island and San Francisco to ships and local activities.

II. ECHELONS OF SUPPLY

Non-NIF stocks physically at Naval Shipyards Mare Island and San Francisco will be confined to those items which:

1. Have high degree of repetitive demand from the industrial effort, e.g., welding rod.

2. The Shop Stores are unable to stock due to physical limitations, e.g., insulation.

3. Have been positioned by the Inventory Manager for a definite, planned shipboard installation of an assigned overhaul project.

4. Naval Supply Center, Oakland does not have storage and handling capability, e.g., certain plates and shapes.

III. SUPPLY OPERATIONS (Non-NIF Material)

A. Stock Status Reporting and Stores Accounting.

Naval Supply Center, Oakland will perform all reporting and accounting functions for all material positioned at the NSYs, including providing status by site locations if required by Inventory Manager and approved by BuSandA. Stock record maintenance, if any, at NSYs will be on quantity basis only.

B. Issues to Industrial Effort.

Issues of material positioned at the Shipyards to industrial effort will be on post-posting procedures. Except for items in category II-A (1), (2) and (4) above, the primary source of shop stores replenishment will be direct from stocks at Naval Supply Center, Oakland.

2. Carry out all functions of the "residual" Supply Departments, including supply functions for NIF material.

Organization should be such as to minimize duplicate organizations for comparable functions as they apply to both NIF and Non-NIF material. The Supply Officers of NSYs, and possibly other officers as appropriate, would have additional duty to Commanding Officer, NSC, Oakland pertaining to their responsibility for the custody of non-NIF stocks at the Shipyards and for maintenance of proper items and stock levels. Effort should be made to eliminate the need for any NSC, Oakland personnel regularly stationed at the NSYs. All personnel in the Shipyard performing supply functions would thus be Shipyard personnel.

C. Supply Departments of NSYs would be 100% NIF financed. Any work performed for supply system, e.g., HHG, packing or shipping of non-NIF items, would be handled on a project basis and charged to SWSN.

D. In summary, NSC, Oakland considers that Plan VII:

1. Achieves all of the inventory management advantages of Plan I.

2. Leaves the Shipyards the day-to-day authority for the maintenance of necessary stocks to meet immediate needs; it especially provides necessary local information.

3. Permits Shipyard Commanders complete latitude in staffing for expediting and follow-up operations since all personnel engaged in supply operations at the Shipyards would be under Shipyard ceilings and funded under NIF, therefore, the Shipyard Commanders could maintain this force at whatever level they considered necessary.

4. Very importantly, avoids duplications of functions within the Shipyard which would occur under Plan I.

5. Limits SWSN support to supply system work actually performed and not subject to custodial costs of stocks kept at the Shipyards for the benefit of the industrial effort.

MARE ISLAND NAVAL SHIPYARD COMMENTS

A. This Plan is a further extension and refinement of Plan VI in two basic aspects:

1. Transfer of all inventory control and stores accounting to NSC, Oakland.

2. Funding by the Naval Shipyards of 100% of the custodial cost of non-NIF stores. Work performed for the Supply System would be handled on a project basis charged to SWSN.

B. Comments made relative to Plan VI apply equally to Plan VII.

Comments on each point follows:

C. Issues to Other Supply Officers.

Issues to other Supply Officers of materials stored at Shipyards will be made on invoices prepared by Naval Supply Center, Oakland with custodian Shipyard making physical issue, including packing and shipping.

D. Planned Requirements.

1. Basic Responsibility. Naval Shipyards will retain basic responsibility for insuring the availability of planned requirements of the Shipyards.

2. Items Available at Naval Supply Center, Oakland. Naval Supply Center, Oakland will provide information as to the availability of stocks at Naval Supply Center, Oakland. Items may be reserved in Naval Supply Center, Oakland stocks upon request of the Shipyards.

3. Items Not Available at Naval Supply Center, Oakland. If non-availability at Naval Supply Center, Oakland is indicated, the planned requirements will be forwarded to Naval Supply Center, Oakland for procurement and reservation if requested.

E. Issues Direct to NIF.

All issues by Naval Supply Center, Oakland to Shipyard end-use will be billed direct to NIF.

F. Purchase Authority.

Naval Shipyards Mare Island and San Francisco will retain current purchase authority.

G. Preservation.

Supply Departments of NSYs will perform minimal preservation.

- -

NSC OAKLAND COMMENTS

A. It is the opinion of NSC, Oakland that Plans II and VI place considerable SDCP cog material outside the reporting system thus unavailable for emergencies elsewhere; and has the additional disadvantage in that Shipyards' changes in demand rates are not reflected and reported to the SDCPs until and unless the Shipyards replenish from NSC, Oakland or turn in material as excess. Under Plan VII all non-NIF material at the Shipyards would be on the books of NSC, Oakland and reported by NSC, Oakland including stores accounting involved.

B. Supply Departments of Shipyards would be organized and staffed to perform the following:

1. Operate Auxiliary Stores for stocks on NSC, Oakland basic records and accountability.

a. Through rendering Shipyard stocks vulnerable to Supply System demand, this proposal would deprive the Shipyard of the ability to guarantee the availability of stocks when required. This would impair the effectiveness of internal material control and the Production Planning and Control Program.

b. Without instituting a duplication of inventory control functions at the Shipyard, it will reduce responsiveness to rapid changes in type of work and variation in workload which are characteristic of Shipyard operation.

c. It would increase Shipyard overhead by the cost of work interruptions and rescheduling resulting from material non-availability, and by the cost of additional material liaison and expediting staff.

d. It would create the need for wholesale reservation of material in Oakland stock to a degree unacceptable to the Shipyard.

2. Regulations governing NIF operations contain no authority to support custodial costs (building maintenance, fire and police protection, other costs and labor) of maintaining non-NIF stocks on the Shipyard. Assumption of these costs would adversely affect the Shipyard overhead expense rate. The movement of non-NIF material, and the performance of other Supply System work on a customer order would incur overhead charges, increasing cost to SWSN.

SAN FRANCISCO NAVAL SHIPYARD COMMENTS

A. San Francisco Naval Shipyard considers that Plan VII is not acceptable in that it reduces the Shipyard's control over material availability and procurement in support of the industrial effort with no significant increase in savings to the Navy over Plan VI.

B. The statement that under Plan VII the Supply Departments of NSYs would be 100% NIF financed is misleading. The charges to SWSN on a project basis would be substantial and would be comparable to the charges under the presently prescribed "split" basis. The possibility of charging SWSN on a project basis is not unique to Plan VII; it can be done under any plan and even at present. However, it should be noted that for the reasons cited in paragraph 5.b of the basic letter, a shift from the "split" basis to the "project" basis of apportioning costs would normally tend to increase costs to SWSN, assuming comparable equitability in the determination of cost responsibility under the two bases.

C. San Francisco Naval Shipyard considers that the primary disadvantage of Plan I is also inherent in Plan VII, i.e., reduction in supply support responsiveness is inescapable whenever there is loss of control by the Shipyard. In other aspects such as increased administrative problems, a disadvantage of Plan I remains a disadvantage of Plan VII in somewhat different form. It is considered that Plan VII is preferable to Plan I, but not substantially so.

APPENDIX G

The joint BuShips-BuSandA letter of 2 July 1965.

Subj: Supply Support in the San Francisco Bay Area

Ref: (a) BUSHIPS/BUSANDA joint ltr Ser 731-14 L3/5817 A3 of 14 Jan. 1959
(b) MINSY/SFNSY/NSCO joint ltr of 24 April 1959

1. In accordance with reference (a), reference (b) reported the results of detailed feasibility tests of plans for realignment of supply support patterns in the San Francisco Bay Area. After a thorough study of these plans, the Bureau of Supplies and Accounts and the Bureau of Ships have determined that the optimum support plan is one which will meet the following criteria:

a. Provide that both shipyards have responsibility and authority for control of material availability and procurement required in support of their industrial effort.

b. Reduce non-industrial supply workload at the shipyards.

c. Reduce range and depth of selected stocks at the shipyards not directly related to incustrial operations.

d. Accomplish maximum personnel savings without hampering supply support in the Bay Area.

e. Involve a minimum of material movement.

2. A Bay Area support agreement has been jointly developed at the bureau level and adopted by Bureau of Supplies and Accounts and Bureau of Ships. This joint agreement is designed to meet the above criteria without publication of a formalized plan. This agreement will be implemented commencing 2 July 1959 through a series of individual actions initiated by Bureau of Supplies and Accounts in collaboration with Bureau of Ships as follows:

a. Direct the discontinuance of routine redistribution from shipyard stocks.

b. Prescribe a tailored support plan for each material category.

It is the intention that the shipyards will remain primary stocking points for certain cogs and classes of material as agreed upon between the shipyards and the supply demand control points. The shipyards will be considered as "modified" primaries in that they will not normally be called upon to serve as distribution points.

c. Reduce material input to the shipyards.

d. Determine and direct disposal actions.

e. Determine and direct any required bulk redistributions.

3. This agreement will impose certain new requirements on the Bay Area activities, some of which are:

a. The Naval Supply Center will reserve material in stock and will procure and reserve other material when requested by the shipyards.

b. The Naval Supply Center will bill Navy Industrial Fund directly for appropriate items immediately chargeable to shipyard end use.

c. The Naval Supply Center will normally consider shipyard demands as replenishable.

d. The Naval Supply Center will provide information to the shipyards as to the availability of stocks at the Naval Supply Center.

e. The shipyards will follow prescribed criteria for operating levels of supply in determining range and depth of stocks of items with repetitive usage.

It is recognized that specific actions have already been taken or planned to date concerning changes in responsibility such as those enumerated above. To the degree to which the bureaus have knowledge of these actions, they are considered compatible with the plan of action being implemented.

4. During the course of the phasing out of the supply functions in the naval shipyards as planned, the transfer of function regulations outlined in NCPI 170.9-4 should be observed when identifiable supply functions are transferred to other organizations or activities.

5. It is considered that complete implementation of this joint BUSANDA/BUSHIPS agreement as indicated above will produce maximum savings commensurate with supply system responsiveness to shipyard industrial requirements.